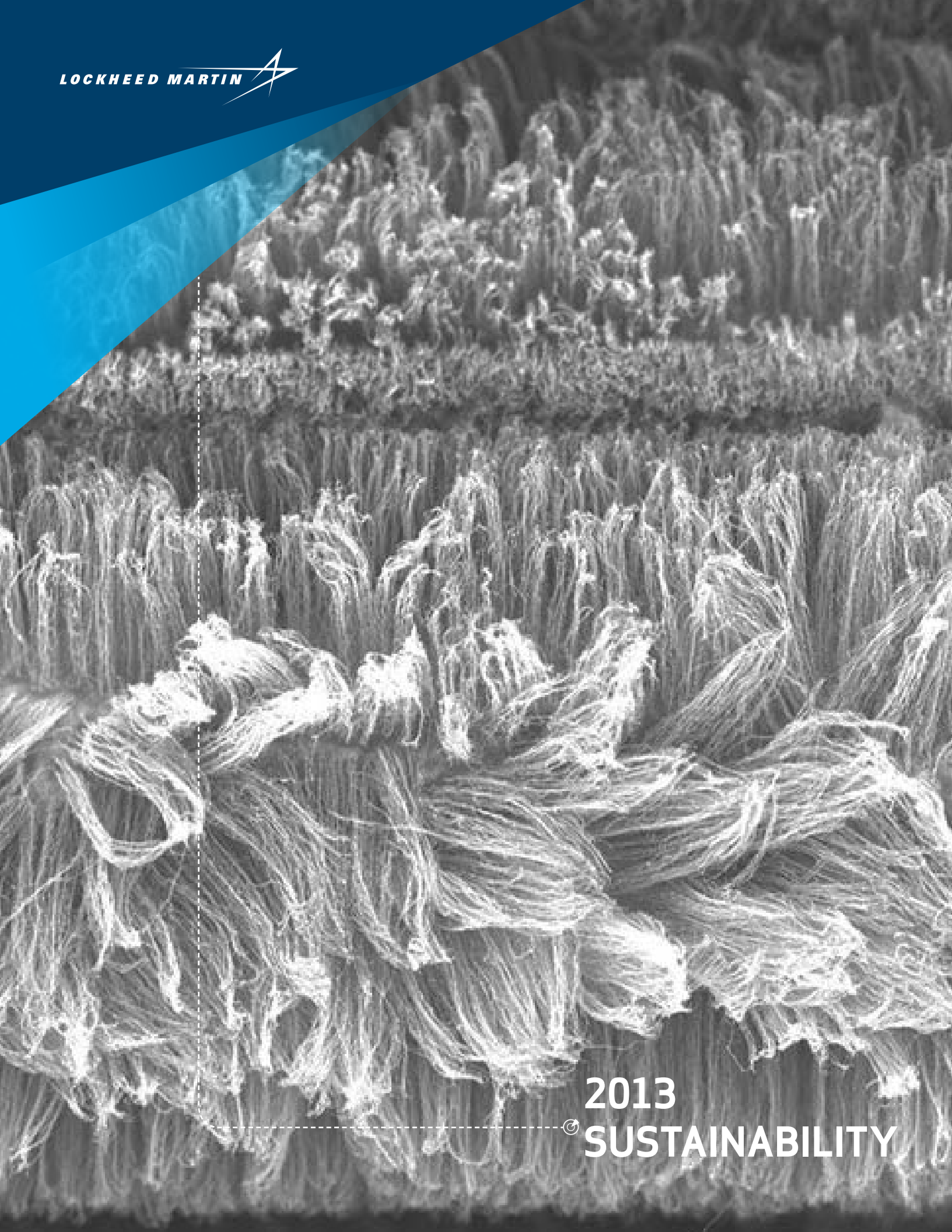
LOCKHEED MARTIN



2013 SUSTAINABILITY

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Reporting

This comprehensive sustainability report encompasses data and activities for the calendar year 2013. It is our third report. We release a report annually in April. The report and its data, unless otherwise noted, derive from Lockheed Martin activities globally, including those of our corporate offices and five business areas: Aeronautics, Information Systems & Global Solutions, Missiles and Fire Control, Mission Systems and Training and Space Systems. We provide relevant environmental, social and governance data from the past four years for our activities when available and more limited data for our supply chain.

For the second time, our report relies upon guidance issued by the Global Reporting Initiative (GRI), the world's most widely used sustainability reporting framework. We are reporting in accordance with G4 Core, the latest GRI guidelines. The GRI Index is available on our website.

For inquiries about this report, please write to sustainability.lm@lmco.com.

About the Cover: We pursue the most pressing issues of sustainability at the molecular level. This scanning electron microscope image provides a microscopic view of an infused carbon nanostructure on glass fiber. While every detail of its physical structure is on full display, what you can't see is the versatility such a composite material provides. With low production costs and enhanced physical, electrical, and thermal properties, carbon nanotubes are the strongest and most electrically conductive material known to man, and offer potential applications in water filtration and electricity generation and storage.

Nanomaterials are already increasing the efficiency and performance of our products, and transforming the way we approach systems engineering and electricity generation and storage. Lockheed Martin is applying nanotechnology to drive sustainable solutions across industries and around the globe. As we move forward, we are addressing the environmental, safety and health responsibilities of our work.

Chairman, President and CEO Marillyn A. Hewson leads a strategy session at the enterprise-wide Customer Relations Summit. To improve customer satisfaction, summit participants identified 80 action items. We've already begun to implement those solutions as we focus on giving our customer relationships the same priority as our performance and innovation.

Hewson was recognized as a 2013 Responsible CEO of the Year, awarded by Corporate Responsibility (CR) Magazine. The distinction recognizes CEOs across industries who visibly exceed standards in the areas of employee relations, environmental impact, human rights, philanthropy and corporate responsibility practices. "This award reflects the hard work and dedication of employees across Lockheed Martin who make our sustainability vision a reality," Hewson said.

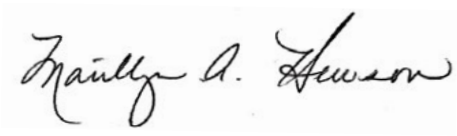
Welcome to the 2013 Lockheed Martin Sustainability Report. This report gives an overview of Lockheed Martin's accomplishments and challenges from last year and an outlook on where we're headed. It also outlines the outstanding progress of our Go Green 2020 initiative and our ambitious new objectives stemming from our early success with this initiative.

Last year we made major strides in sustainability, and I'm proud that our efforts were recognized by external organizations. We're aiming even higher in the future. With more than a century of history behind us, we realize that true success comes from creating enduring value for all of our stakeholders.

As a global security and aerospace company we help our customers keep people safe and provide them essential services. Our customers are seeking new ways of thinking about how to address major issues like renewable energy, information security and climate change—and we're serious about using our capabilities to find solutions to these challenges. Our scientists, technologists and engineers are focused on continually innovating our products, so they are more efficient and affordable than ever, while maintaining the performance our customers expect and need.

With 115,000 employees living and working in hundreds of communities where we conduct business throughout the world, we remain more committed than ever to investing in our people and communities. That commitment starts with making sure our employees have a safe and healthy workplace, and extends into how we do business, solve challenges, use resources and hold ourselves accountable.

Our commitment to sustainability continues to accelerate our business strategy. We respect and support our employees, our communities and our environment because it's the right thing to do. As you read through our 2013 report, I hope you'll agree that the men and women of Lockheed Martin are propelling responsible growth, for today and tomorrow.



MARILLYN A. HEWSON
Chairman, President and CEO
Lockheed Martin

OUR COMPANY

115,000 EMPLOYEES
including nearly 60,000 scientists, engineers and technologists

570+ FACILITIES
in 70 countries

6,500+
open prime contracts

OVERVIEW

Headquartered in Bethesda, Maryland, Lockheed Martin is a global security and aerospace company that employs about 115,000 people worldwide. Our scientists and engineers are principally engaged in the research, design, development, manufacture, integration, and sustainment of advanced technology systems and products. The Corporation's net sales for 2013 were $45.4 billion. Outside the United States, significant activities relevant to issues covered in this report are conducted 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.

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

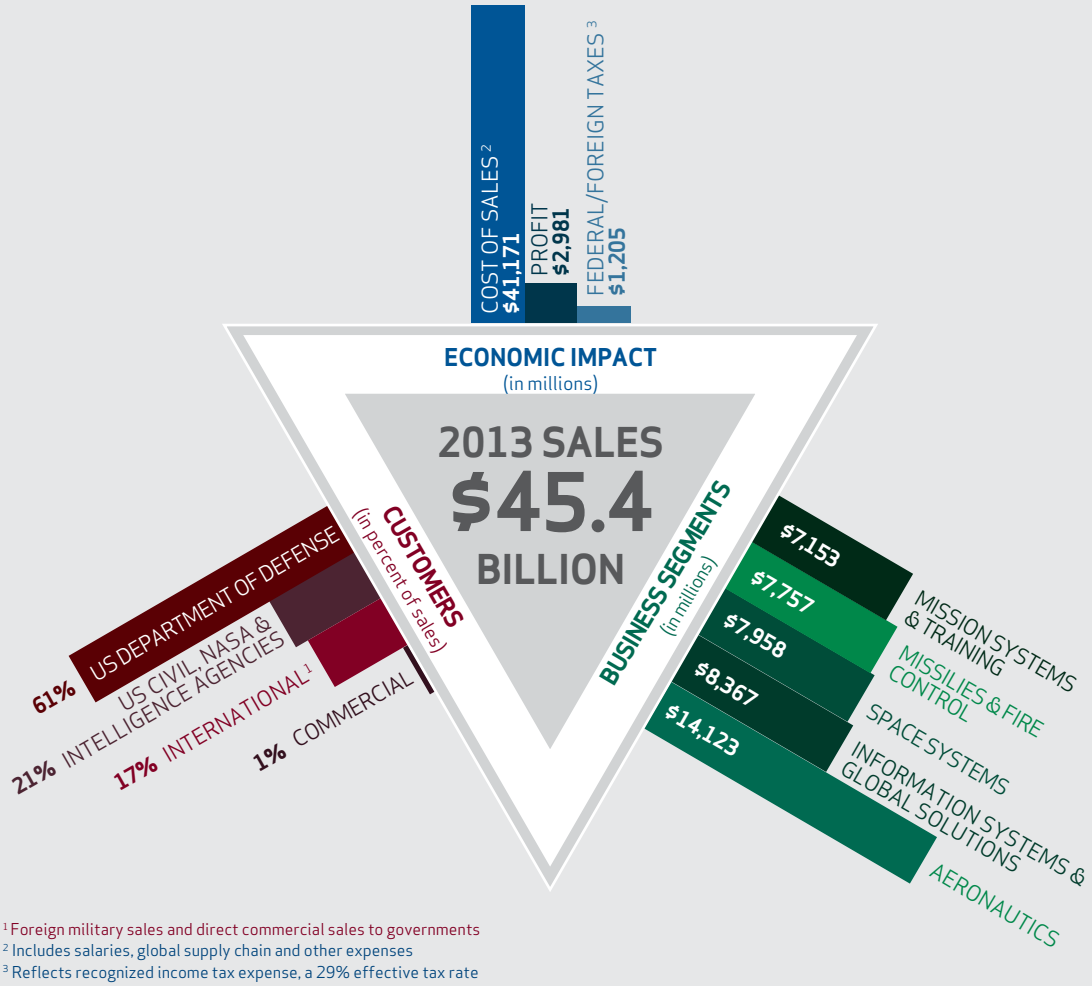
Main Businesses

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.

Information Systems & Global Solutions—Provides services for critical information needs including cyber security, C4ISR, integrated air and missile defense, and citizen services for civil, defense, intelligence and commercial customers.

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

BUSINESS OVERVIEW



[1] Foreign military sales and direct commercial sales to governments
[2] Includes salaries, global supply chain and other expenses
[3] Reflects recognized income tax expense, a 29% effective tax rate

Mission Systems and Training—Provides ship and submarine mission and combat systems; mission systems and sensors for rotary and fixed-wing aircraft; sea and land-based missile defense systems; radar systems; the Littoral Combat Ship; simulation and training services; and unmanned systems and technologies.

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.

Enterprise Operations—Comprises headquarters personnel, business functional leadership and our enterprise-wide 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 and Finance.

In 2013, Lockheed Martin launched Lockheed Martin International, a new organization committed to meeting our global customers' diverse national security and economic development needs. Its charter enables integrated international business strategies across the enterprise, including the incorporation of sustainability considerations. The Lockheed Martin International team works with global customers to deliver products, technologies and services to meet their national security and citizen services needs.

OUR APPROACH

Dr. Leo S. Mackay, Vice President, Ethics and Sustainability, connects sustainability to business value.

OBJECTIVE

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

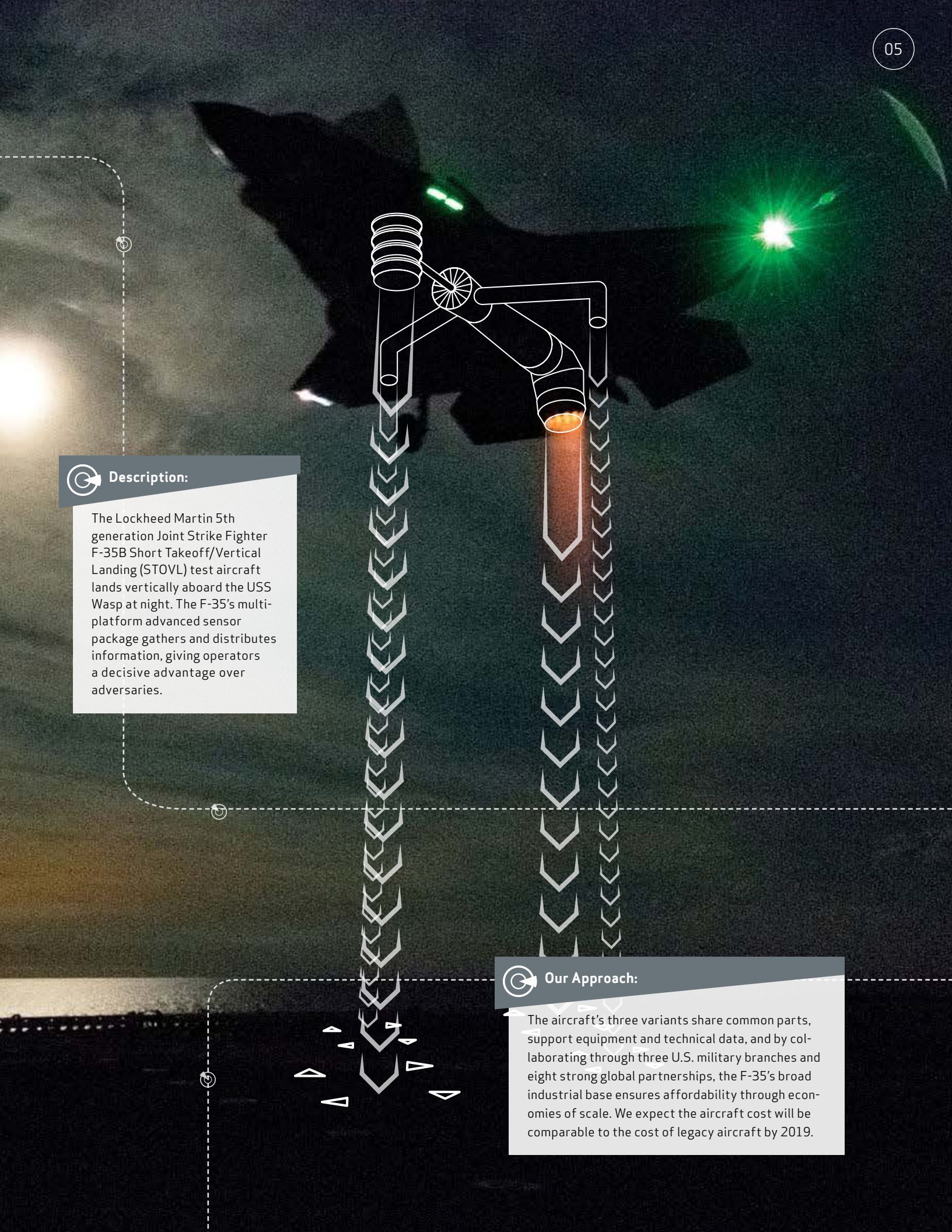
OVERVIEW

At Lockheed Martin, we're focused on solving complex challenges, advancing scientific discovery and delivering innovative solutions to help our customers keep people safe and provide them essential services. As demonstrated by our first 100 years of innovation, performance and determination, we fully embrace our commitment to conducting our business in ways that positively impact society and the planet. Our Sustainability agenda—a natural extension of our business strategy—covers a spectrum of environmental, social and governance priorities.

KEY CAPABILITIES AND MEGATRENDS

Our scientists and engineers are systems thinkers who holistically analyze how interrelated components cooperate. They research, design, develop, manufacture, integrate and sustain advanced technology systems and products. Our deep expertise delivers value and improved outcomes on land, at sea and in the air, space and cyberspace. The technological innovations we provide contribute to sustainable development and growth. Through our operations and products on all seven continents, we apply our capabilities to address global sustainability challenges, including:

- **Providing tools for government resilience:** Our products and services mitigate geopolitical, technological and environmental risks. We dedicate attention to customers contending with critical threats such as armed aggression, terrorism and pervasive crime, and threats to critical infrastructure. Government stability breeds sustainable development.
- **Finding ways to preserve information security in advanced and emerging economies:** We support efforts by government and industry to expand access to information, stimulate commerce and analyze big data, while protecting rights to privacy and preventing digital sabotage, failure of critical information infrastructure, theft, and losses from cyber intrusions.
- **Strengthening preparedness for extreme weather events and our understanding of them:** From the most advanced space-based climate monitoring technologies, to disaster relief response management, governments around the world rely on our solutions to contend with climate and weather conditions linked to catastrophic losses.
- **Mitigating climate change and energy challenges:** We work to improve the efficiency of our operations, products and services, as well as expand an innovative technology portfolio to increase availability of clean and secure energy, and begin to address aspects of water quality and scarcity.



Description:

The Lockheed Martin 5th generation Joint Strike Fighter F-35B Short Takeoff/Vertical Landing (STOVL) test aircraft lands vertically aboard the USS Wasp at night. The F-35's multi-platform advanced sensor package gathers and distributes information, giving operators a decisive advantage over adversaries.

Our Approach:

The aircraft's three variants share common parts, support equipment and technical data, and by collaborating through three U.S. military branches and eight strong global partnerships, the F-35's broad industrial base ensures affordability through economies of scale. We expect the aircraft cost will be comparable to the cost of legacy aircraft by 2019.

SUSTAINABILITY AT LOCKHEED MARTIN

Our business model requires that we think ahead and act with keen farsightedness in addressing our customers' toughest challenges. Multi-purpose aircraft, low collateral damage ordnance, modular shipboard systems and simulators are among our products that demonstrate the business value of incorporating sustainability into our corporate strategy. The values that define our corporate culture—Do What's Right, Respect Others, Perform with Excellence—all support our commitment to sustainability. They advance our sustainability by guiding our approach to social, environmental, governance and economic considerations.

We are prioritizing our attention on six high impact sustainability issues: Governance, Product Performance, Talent Competitiveness, Supplier Sustainability, Resource Efficiency and Information Security. These core issues were identified through a rigorous four-step sustainability assessment conducted in 2013 and are described in detail later in this report. The core issues reflect the ways we seek to work together to make a positive difference for the stakeholders we serve and the wider society (see page 8).

SUSTAINABILITY AND BUSINESS VALUE

Societal and environmental considerations spur innovation, sustainable business practices and our long-term success. Our efforts in this area contribute to sales growth, further risk management and enhance investor relations.

Sales Growth

- Better business opportunities result from Lockheed Martin's ability to meet and exceed customers' increasing expectations for high-performing products that contribute to global security, enabling stable societies, sound governments, environmental protection and economic opportunity. Our sales include services that help government agencies support their own sustainability objectives, such as those derived from U.S. Executive Order 13514 "Federal Leadership in Environmental, Energy, and Economic Performance."

Risk Management

- Energy and resource efficiency in Lockheed Martin's global administrative facilities and manufacturing operations lowers costs and increases productivity.
- Management systems addressing quality, environment, safety and health go beyond compliance to mitigate impacts that pose risks of business interruption, environmental liability and reduced sales opportunities.

Investor Relations

- Our access to capital is supported by our rapport with major investors, who are increasingly considering sustainability performance and risk factors .

In 2013, analysts from investment-focused and other organizations reported on our sustainability performance. These assessments have helped us to benchmark our sustainability agenda and performance against those of other companies, particularly outside our industry sector.

- Dow Jones Sustainability Index (DJSI): We were the only aerospace and defense company to be newly added to the North America Index, which includes the top 20 percent of the largest 600 North American companies in the Dow Jones Global Total Stock Market Index, based on long-term economic, environmental and social criteria.
- MSCI: For the first time, we were named as a sector leader and ranked among the top three companies in our industry for environmental, social and governance performance as evaluated by MSCI, a leading provider of indices and portfolio analytics.

Our Core Sustainability Issues:

Governance
Product Performance
Talent Competitiveness
Supplier Sustainability
Resource Efficiency
Information Security

There is no better capability to take on global challenges than that which exists in the aerospace and defense industry.

- CDP: We were named to the Global Carbon Performance Leadership Index, marking the third consecutive year we were recognized on this ranking and received a top "A" rating from CDP, formerly Carbon Disclosure Project. This is the longest leadership period in the aerospace and defense sector for progress on reducing carbon emissions and improving energy efficiency.
- 100 Best Corporate Citizens: *Corporate Responsibility Magazine* named us to its "100 Best Corporate Citizens" list for the second time. It also selected Lockheed Martin Chairman, President and CEO Marillyn Hewson as a winner of the 2013 Responsible CEO of the Year Award, presented to those who exceed standards in the areas of employee relations, environmental impact, human rights, philanthropy and corporate responsibility practices.

SUSTAINABILITY AND GOVERNMENT CONTRACTING

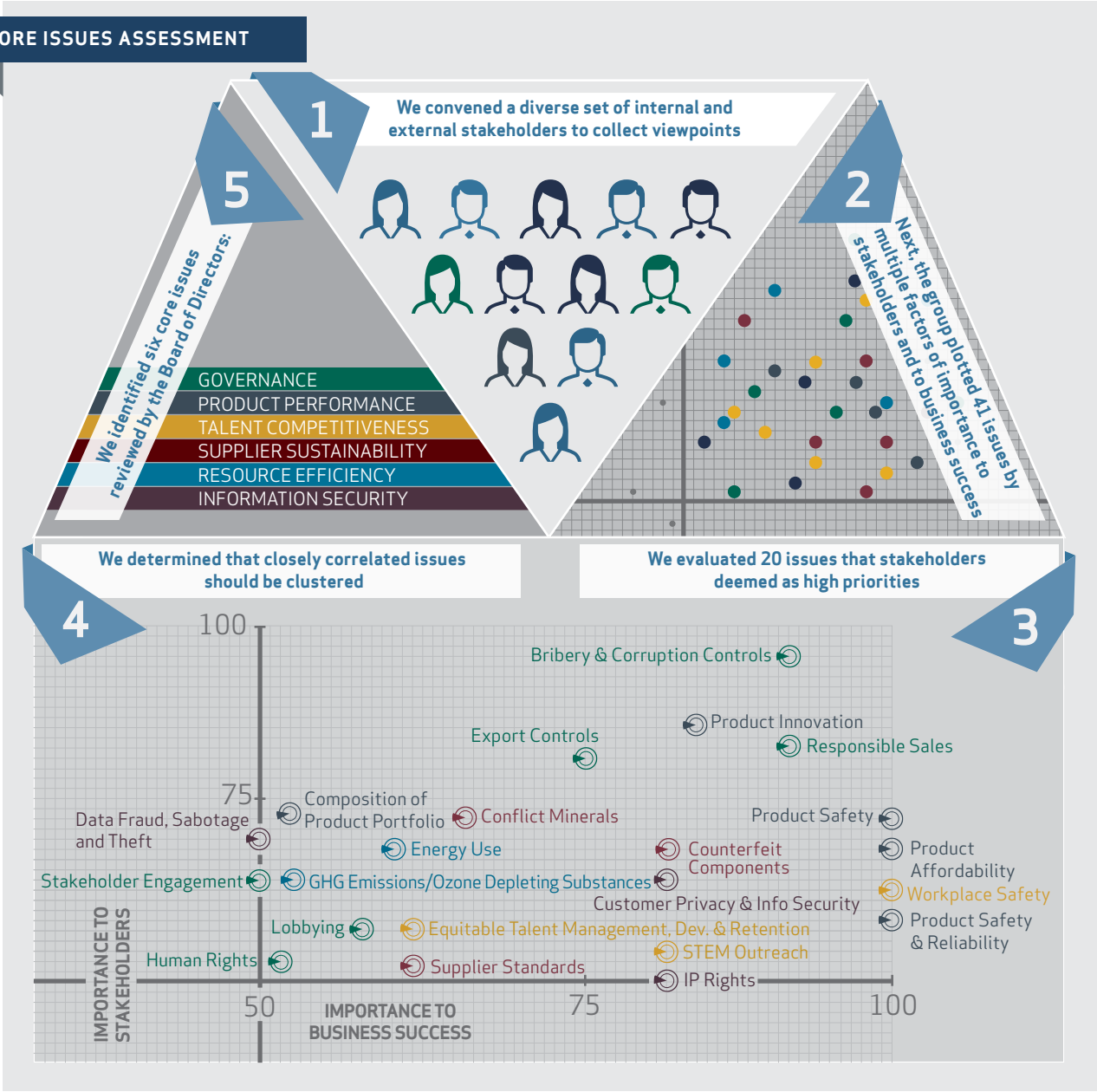
We are mindful that the U.S. federal government, our largest customer, plays a crucial role in furthering sustainability. This will challenge and inform us as we take practical steps to capture value and address change. Given the scale of federal government procurement, we see huge potential for sustainable innovation and outcomes. At the same time, we also recognize the need to account for actualities when pursuing our sustainability agenda:

- As a prime contractor to the U.S. government and allied nations, approximately 98 percent of Lockheed Martin sales involve public sector goods and services. U.S. civil and military agencies are responsible for using public funds appropriated by Congress. In most years, the Department of Defense (DoD) provides a five-year plan, called the Future Years Defense Program (FYDP), associated with the budget requests that it submits to Congress. In our industry, negative impacts from short-term budget uncertainty range from potential worker furloughs to delays in new aircraft certification and space systems launches.
- Defense products and solutions typically follow a basic acquisition structure that involves identifying a need for a new product, reducing technical risk to an acceptable level, developing and testing a product, and fielding and sustaining it over long periods. While many product-line service lifespans extend for a decade or more, as much as 80 percent of lifecycle costs can be determined by a government customer's engineering and manufacturing development request for proposal. It sets in motion virtually all sourcing decisions and operating requirements that will follow in the product's lifecycle. This dynamic underscores the importance of material source selection, product design decisions, product content determinations and focused research and development, to address customer affordability, innovation and sustainability goals early in the process.
- International sales of Lockheed Martin defense products and services occur on a government-to-government basis, via Foreign Military Sales programs, and by direct sales from Lockheed Martin to our customers. These transactions are authorized by the Arms Export Control Act (AECA) and constitute a fundamental aspect of U.S. foreign policy. It is common for contracts with purchasing countries to require that Lockheed Martin buy or invest in resources of that country. Some countries allow and may require direct foreign investment, technology transfer or other business relationships with nondefense economic sectors. We view this as an opportunity to contribute to sustainable development initiatives globally.
- Our business operations include several government-owned manufacturing facilities that are operated by Lockheed Martin. Such facilities represent approximately one-third of our U.S. sites' total square footage. Modifications to lighting, plumbing and infrastructure at these facilities generally require government reviews and approvals. This can increase the time and expense necessary to implement changes related to energy-use, water-use and waste at those facilities.

OUR ENHANCED SUSTAINABILITY STRATEGY

Recognizing that sustainability issues and key business trends regularly affect our business strategy, customer preferences, product development and outlook, in 2013 we sought to take a fresh look at the wide range of issues we encounter. We used an inclusive, formal assessment to revisit longstanding areas of focus, identify gaps and recognize new leadership opportunities for the future. The assessment results sharpened our sustainability strategy and reporting efforts, and will ensure that we continue to focus on areas of greatest importance to Lockheed Martin and our stakeholders.

The assessment included a four-step process to determine issues that may affect our ability to generate long-term value through environmental, governance, social and economic progress. This tracks to principles of materiality, as described by the Global Reporting Initiative.



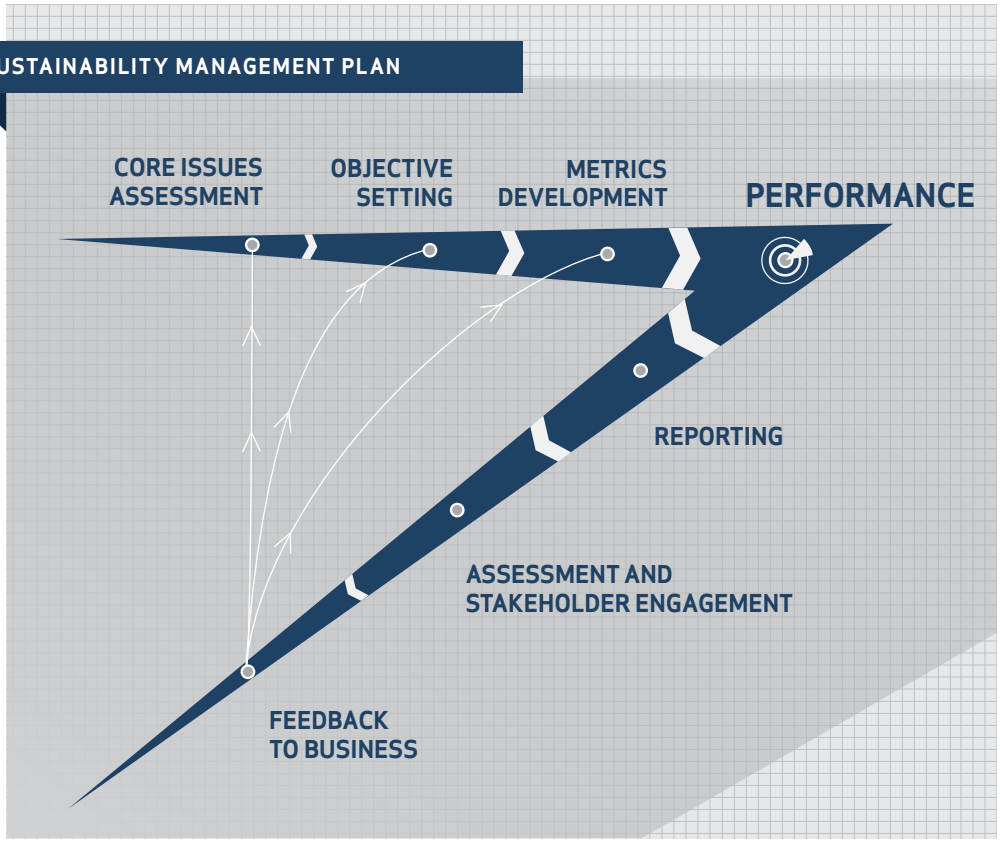
- We explored more than 40 environmental, social and governance issues identified by reviewing Lockheed Martin risk management analysis, and reports from socially responsible and mainstream investors. In addition, we reviewed the Global Reporting Initiative G4 Principles, the World Economic Forum Global Risks Index and the CERES Roadmap to Sustainability.
- We held an external stakeholder session with an independent facilitator for inputs on the issues and to map them according to their impacts on our business value chain and their importance to stakeholders. Participants included representatives from our major stakeholder groups: customers, institutional investors, nongovernmental organizations (NGOs), research partners and suppliers.
- We conducted three internal workshops with the independent facilitator at which 35 Lockheed Martin employees in 10 business functions used the available feedback to prioritize the issues based on impacts to our business value chain.
- We concluded our assessment with another formal external stakeholder summit to review the results with representatives of institutional stockholders, suppliers, corporate governance, a non-U.S. customer organization, environmental and other NGOs. The results were reviewed by our Enterprise Risk Management team, Corporate Sustainability Council, and the Board of Directors' Ethics and Sustainability Committee.

The results illustrated the wide range of sustainability issues that are core to how Lockheed Martin conducts business. We grouped the highest-ranked, closely related issues from this assessment to identify our six core issues: Governance, Product Performance, Talent Competitiveness, Supplier Sustainability, Resource Efficiency and Information Security.

Learn more about our objectives within each core issue by referring to the corresponding chapters of this report.

MEASURING PERFORMANCE: OUR SUSTAINABILITY MANAGEMENT PLAN

In 2013, we developed and began implementing a Sustainability Management Plan to effectively manage, measure and disclose performance related to objectives for the six core issues. Our management plan outlines 41 short- and long-term indicators of sustainability in our business decisions and practices (see page 10). This report describes our future indicators by each core issue, unless an indicator contains company-sensitive or proprietary data.



The highest governance body for sustainability will review performance against the Sustainability Management Plan twice a year, beginning in July 2014. In this first year, we will specifically monitor to ensure metrics are driving the right behaviors. We plan to publish our performance against the majority of indicators by May 2015.

Prior to adopting the Sustainability Management Plan, we managed and tracked performance measures that reflected functional objectives. Our 2013 performance against these measures is listed throughout the report and on our website.

SUSTAINABILITY MANAGEMENT PLAN

Our Sustainability Management Plan includes 41 measures to gauge performance through 2015 across six core sustainability issues. We will report on progress in next year's sustainability report on about three-quarters of these measures deemed publicly releasable.

GOVERNANCE

OBJECTIVE: Continually enhance efforts to uphold high standards and controls for ethical business conduct, compliance and transparency.

Increase Ethics Supplier Mentoring relationships with small businesses	Maintain 100% completion of Business Conduct and Compliance Training for Sensitive Information & International Trade Compliance and International Business Practices
Increase external stakeholder participation in Core Issues Assessment	Continue to measure and monitor anti-bribery and anti-corruption by assessing deviations from corporate policy statements on international and domestic business conduct
Increase percentage of eligible respondents completing Sustainable Supply Chain Management Voluntary Assessment	

PRODUCT PERFORMANCE

OBJECTIVE: Innovate to deliver optimal economic and performance value over the lifecycle of our products.

Increase company realized savings and customer savings	Increase supply chain savings among key suppliers
Increase investment in Life Cycle Assessment-based methodology	Start to track sustainability intellectual property (IP) monetization
Decrease the rate of in-process defects, scrap, rework and repair in manufactured products (for proprietary reasons, we do not publicly disclose performance)	Decrease frequency of repeat corrective actions to remedy quality escapes (for proprietary reasons, we do not publicly disclose performance)

TALENT COMPETITIVENESS

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

Decrease voluntary attrition among top performing employees as compared to the total employee population	Maintain the Diversity and Inclusion Index score at 2012 levels, as measured by LMVoice employee survey results
Achieve or exceed day away case, recordable, and severity (lost days) rate goals for workplace safety	Reduce average time to complete 1-over-1 manager discussions following a work related injury
Allocate approximately half of Board of Directors-authorized charitable contributions to initiatives that support Science, Technology, Engineering and Math (STEM) education, with impact metrics for major grants	Increase number and percentage of employee volunteers to initiatives that support STEM education

SUPPLIER SUSTAINABILITY

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

Distribute Supplier Code of Conduct to 100% of Suppliers (via open purchase orders)	Assess 100% of top 500 suppliers below target threshold for Dun & Brad Street SSI Score and have risk mitigation plans as necessary
Increase percentage of eligible respondents completing Sustainable Supply Chain Management Voluntary Assessment	Ensure 100% of eligible purchasing, quality or other affected employees complete Counterfeit Parts Awareness Training
Increase percentage of suppliers with deliverable hardware with acceptable counterfeit work control plans, as assessed by business area	

RESOURCE EFFICIENCY

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

Achieve 25% reductions in energy and water use; 35% reductions in carbon emissions, waste to landfill by 2020	Meet 100% of Carbon Usage Effectiveness and Power Usage Effectiveness targets for enterprise managed data center consolidation project points
Identify and establish green IT efficiency targets	Identify and establish water reuse targets for company operations in water stressed regions
Identify and establish green footprint or green building targets for company operations	Identify and establish total waste reduction and recycling targets
Develop business case for on-site renewable energy generation within company operations by business area	

INFORMATION SECURITY

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

Information Security metrics that cover intellectual property rights and protection; data fraud, sabotage and theft; customer privacy; and address insider and outsider threats both digital and human; are tracked and reported internally. However, for security reasons we do not publicly disclose these measures.

SUSTAINABILITY GOVERNANCE

During 2013, the Ethics and Sustainability Committee of the Board of Directors oversaw efforts in corporate responsibility, human rights, environmental stewardship, employee health and safety, ethical business practices, community outreach, philanthropy, diversity and inclusion and equal opportunity, as well as the Corporation's record of compliance with related laws and regulations. It monitored compliance to our Code of Ethics and Business Conduct. It also oversaw matters pertaining to community and public relations, including government relations, political contributions and charitable contributions.

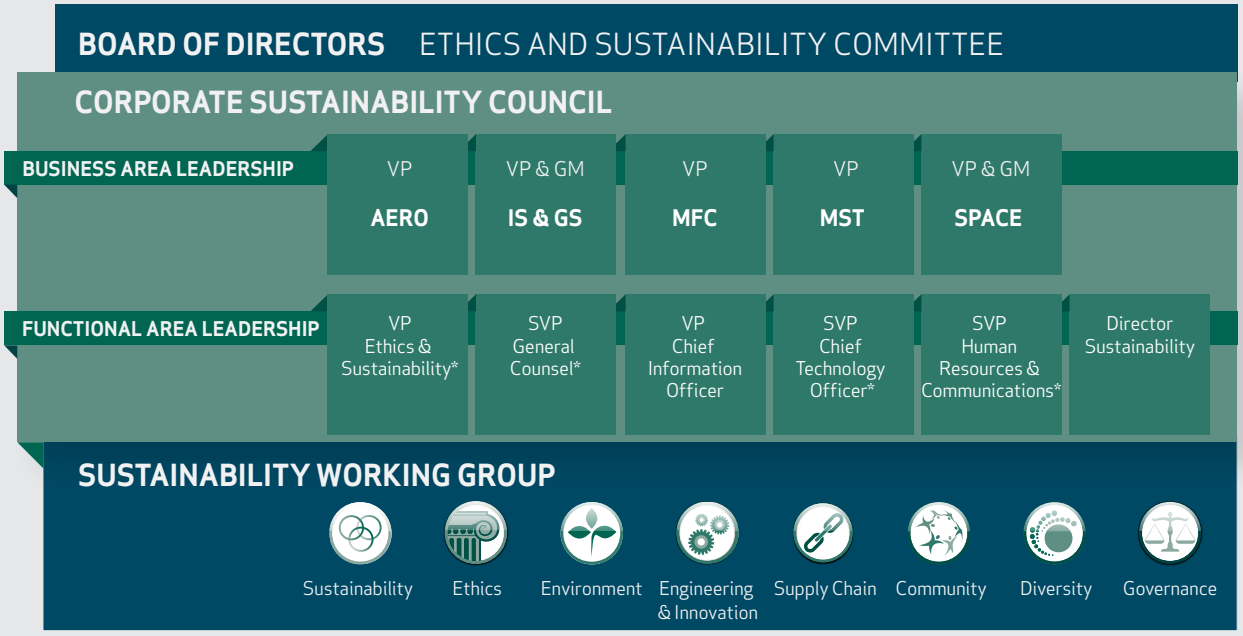
Our Corporate Sustainability Council, comprised of business area and functional executives, governed and guided corporate-wide sustainability objectives. It was chaired by the vice president of Ethics and Sustainability, who is an elected corporate officer and reports directly to both the CEO and the Ethics and Sustainability Committee of our Board. The Council used input from all of our business areas and functions, as well as from external stakeholders. It met three times in 2013 to advance sustainability strategically, through governance, policy oversight and risk and opportunity assessments.

Our Corporate Sustainability Office chaired a working group of functional leaders that shaped our strategic sustainability agenda, facilitated implementation of related initiatives, and managed sustainability-driven stakeholder engagement and disclosures.

Beginning in April 2014, the Corporation's highest governance body, the Executive Leadership Team, which is led by the CEO, will assume the responsibilities of the Corporate Sustainability Council. This evolution will elevate the accountability for our sustainability management plan and performance.

Lockheed Martin also maintains separate leadership councils dedicated to areas such as the environment, production operations, supply chain and workplace safety. These councils include leaders with relevant expertise from our business areas and functions. They meet periodically to evaluate our progress in implementing our strategies and to evaluate performance goals.

2013 GOVERNANCE STRUCTURE



*Reports directly to Chairman, President and CEO Marillyn Hewson

STAKEHOLDER ENGAGEMENT

Advancing sustainability is a collaborative effort with a diverse set of stakeholders. We solicit and use feedback from employees, customers, investors and analysts, communities, suppliers, regulators and NGOs to inform our sustainability agenda and our broader business strategy. Besides providing valuable insights to emerging trends, this engagement deepens a culture of trust and transparency in our pursuit of long-term, scalable solutions to environmental, social and governance challenges.

Given Lockheed Martin's geographic breadth and product portfolio diversity, stakeholder engagement is decentralized and varied across business areas and functions. While this allows for more frequent and localized contacts, it also lends some inconsistency to our outreach on sustainability issues. Our sustainability reporting helps catalog information on our global engagement efforts.

Stakeholder feedback played a major role in identifying our core issues, which will inform our sustainability efforts moving forward. In 2013, we also held an international stakeholder engagement session in London, England with industry, investor, government, NGO and academic participants. Their key input on our sustainability reporting, performance and strategy is summarized below.

Stakeholder Feedback	Lockheed Martin Action
1. Provide more context on how priorities were developed.	A description of our core issues assessment process and our sustainability management plan are contained in this year's report.
2. Be more forthright and transparent in describing the challenges.	Each core issue includes a description of associated challenges integrated into the examples. We describe industry and business dynamics on page 7.
3. The lack of long-term targets for sustainability is concerning.	In 2013, we defined a set of 41 sustainability measures through 2015 and continue to evaluate longer-term goals. Each core issue's targets are described on page 10.

Independent Insights Group

In 2013, we appointed a panel of experts in academia, business, sustainability, law and government to provide guidance on sustainability issues and best practices to our Corporate Sustainability Council and key functional leaders. The group's first major task was to inform and review Lockheed Martin sustainability reporting. We offer members travel reimbursements to attend meetings, but do not provide other compensation, preserving the independence of their viewpoints. The five members are:

- Sherburne Abbott, Vice President for Sustainability Initiatives and Professor of Sustainability Science and Policy, Syracuse University
- Christopher Bell, Shareholder, Greenberg Traurig
- Nabil Nasr, Associate Provost for Academic Affairs and Director, Golisano Institute for Sustainability, Rochester Institute of Technology
- Elizabeth (Liz) Schrayer, President, Schrayer & Associates
- Mohammad Zaidi, strategic advisory board member, Braemar Energy Ventures and former Executive Vice President and Chief Technology Officer, Alcoa

The panel's final letter of opinion on this report is included on page 13, unedited. We look forward to working with the members more extensively in the future.

2013 INDEPENDENT INSIGHTS GROUP LETTER OF OPINION

Lockheed Martin (LMCO) invited us to provide feedback on an early draft of this, its third, sustainability report. Previous reports provided a retrospective on the company's accomplishments regarding key aspects of sustainability. This report describes a more forward-looking and evolving strategy to link the company's business with global trends in environment, society, and security. Steve Rochlin of IO Sustainability facilitated our engagement with LMCO. Readers should note that our commentary is based on the information provided to us by LMCO and is not: part of an assurance process; an evaluation of LMCO's sustainability performance; or an attempt to speak on behalf of LMCO's myriad stakeholders.

We are pleased to see LMCO identify sustainability as part of its business strategy and commend the company for its continuing commitment and effort to integrate sustainability in its values, mission, and management, as well as its emphasis on strong values and good citizenship. The report signals LMCO's intent to leverage customer and supply chain sustainability initiatives to create opportunities and value for the company. It is helpful to see how sustainability is considered in product design and in programs that draw on the company's considerable innovative capability. The company's efforts to identify core issues leading to development of new metrics tied to the business are steps in the right direction.

This sets the stage for future, more developed reports that clarify what LMCO seeks to achieve in sustainability and how this is reflected in its business strategy, performance and value creation. This could include articulating stretch goals that shape business strategy, a more extensive discussion of LMCO's sustainability challenges and opportunities and its specific plans to address them. In particular, LMCO and sustainability might benefit from a more systematic application of the company's successful innovations in a range of areas, including energy, infrastructure, emerging market economic development, and advanced materials. LMCO's next report might also further discuss collaboration with the government in incorporating sustainability into procurement criteria.

LMCO should also continue to improve its sustainability metrics with an eye towards using a comprehensive range of metrics, and with each metric normalized to performance, and consistently and transparently measured and reported.

Overall, we recognize this marks the company's third sustainability report and believe that LMCO is on the right track and making progress in its reporting journey. The report provides useful coverage of LMCO's sustainability approach, targets and outcomes. We appreciate the company's willingness to engage with us and publish our unedited feedback. We welcome LMCO's efforts and encourage continued outreach with its stakeholders as it continues to align its business and sustainability strategy going forward.

Signed,
Sherburne Abbott, Chris Bell, Nabil Nasr, Liz Schrayer, Mohammad Zaidi

GOVERNANCE

Maryanne Lavan, Senior Vice President and General Counsel, connects governance and sustainability.

OBJECTIVE

Continually enhance efforts to uphold high standards and controls for ethical business conduct, compliance and transparency.

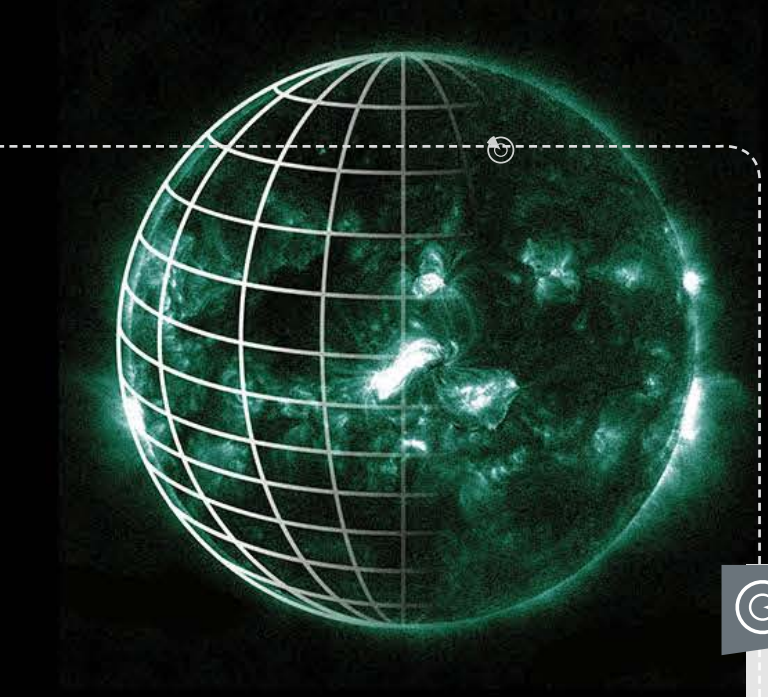
OVERVIEW

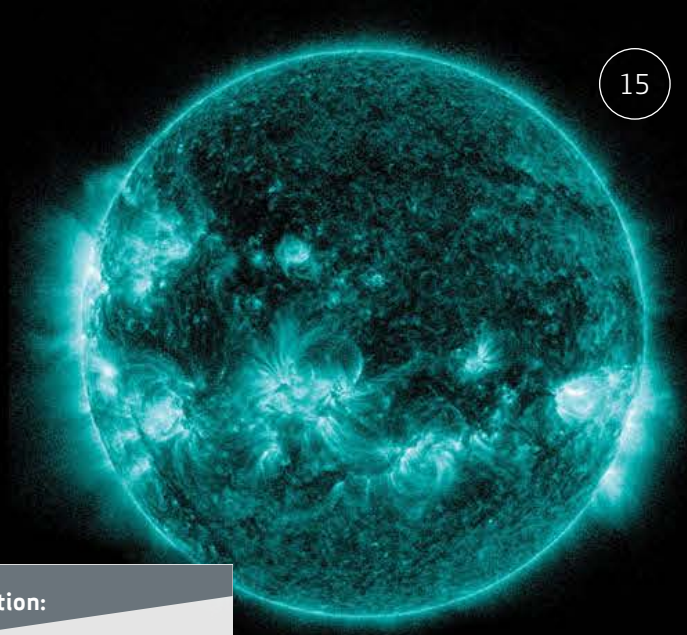
"Taxpayers trust us to use their resources wisely. The men and women of the armed forces depend on us to provide products and services they can rely on."—Lockheed Martin Chairman, President and CEO Marillyn Hewson, in a video address to the Defense Industry Initiative.

Sound governance is foundational to everything we do. It encompasses accountability for our responsibilities to a diverse set of stakeholders, and for our impacts on wider society. We work to continuously integrate high standards for ethical business conduct through corporate policies, employee training at all levels and transparent sustainability-related reporting. We use our scale and influence to encourage similar behavior beyond our own activities. Corruption related risk assessments are an integral part of business decisions, particularly when entering new markets, considering acquisitions and establishing new consulting agreements. These efforts propel responsible growth and a business climate where doing what's right, wins.

Core Issue Impacts on Sustainable Business Practices

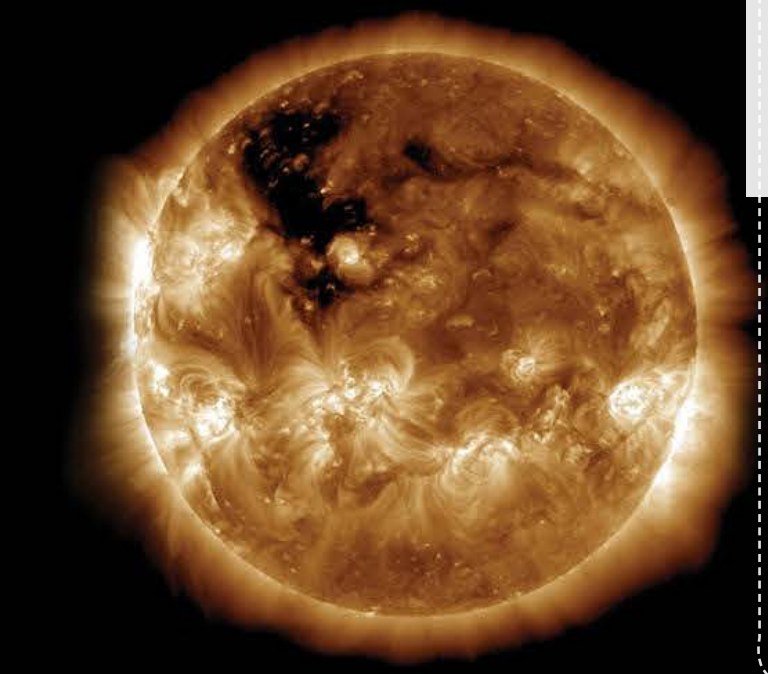
- **Bribery and Corruption Controls:** We're trusted to support governments' most sensitive missions the world over. By actively engaging all employees on anti-corruption policies and practices, we strive to uphold the integrity of the missions we support and thereby remove barriers to sustainable development.
- **Responsible Sales:** We're committed to ensuring that all employees responsible for sales carry out their responsibilities in an honest, truthful and fair manner, whatever the local laws, culture or regulations.
- **Export Controls:** Trans-border adversaries actively seek opportunities to improperly obtain privileged, private or secret information. By practicing diligent export controls, we mitigate the risk of information falling into the wrong hands.
- **Lobbying:** We lawfully engage in the political process to communicate views on legislative and regulatory matters. We uphold high ethical standards in lobbying activities, which represent an essential part of our political engagement to realize laws and regulations that encourage industry growth and innovation in a socially and environmentally responsible manner.
- **Human Rights:** We practice due diligence to guard against human rights violations and provide access to an equitable grievance mechanism accessible throughout Lockheed Martin operations.
- **Stakeholder Engagement:** We build relationships with customers, employees, non-governmental groups and suppliers who share our values. To foster mutual trust, we rely on these stakeholders to understand and mirror the ethical conduct we expect from our employees in all business challenges and transactions.

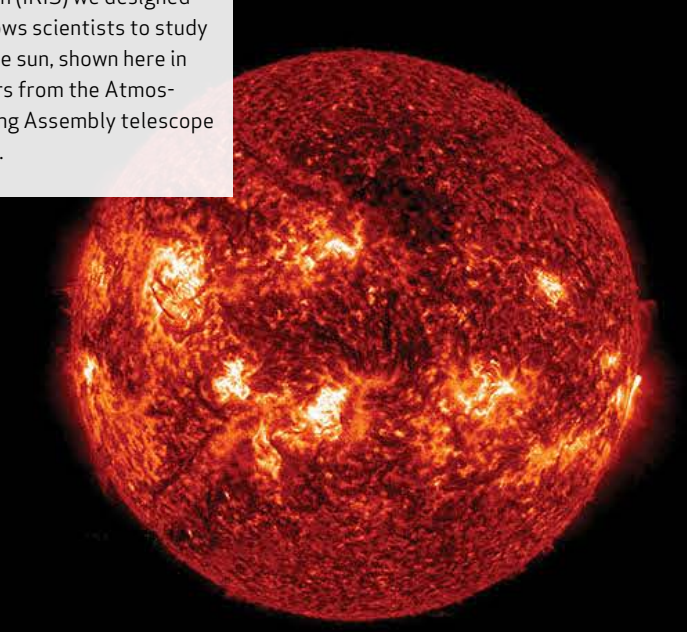




Description:

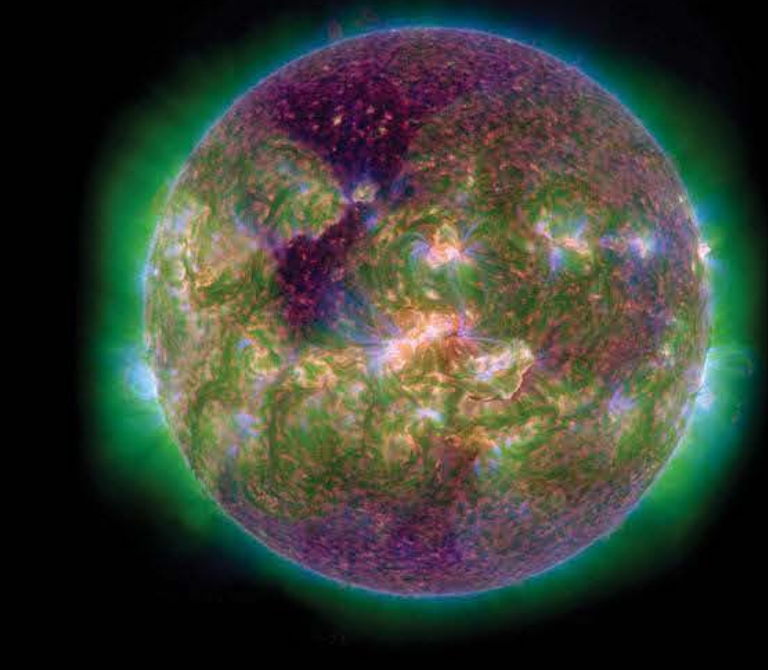
The Interface Region Imaging Spectrograph (IRIS) we designed and built allows scientists to study regions of the sun, shown here in varying colors from the Atmospheric Imaging Assembly telescope we also built.

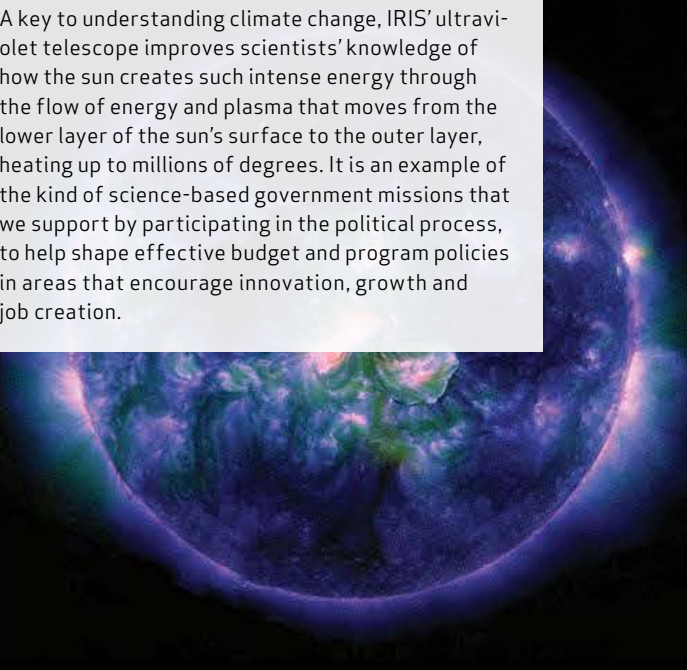




Governance:

A key to understanding climate change, IRIS' ultraviolet telescope improves scientists' knowledge of how the sun creates such intense energy through the flow of energy and plasma that moves from the lower layer of the sun's surface to the outer layer, heating up to millions of degrees. It is an example of the kind of science-based government missions that we support by participating in the political process, to help shape effective budget and program policies in areas that encourage innovation, growth and job creation.





MANAGEMENT

Sustaining the high ethical standards of Lockheed Martin is vital to our company's success. It requires that we stay abreast of changing laws and regulations, engage with our leaders and employees, and deliver a world-class ethics program that fosters an environment where we live our company values: Do What's Right, Respect Others and Perform With Excellence. Meeting this challenge means ensuring that our employees and representatives fully understand their ethics and compliance responsibilities, and are equipped to report ethical concerns without fear of retaliation. It also means helping our suppliers to adopt rigorous ethics programs. An ethical lapse by an employee or a supplier could hinder our ability to deliver products and services to customers, damage our reputation and disrupt employment.

The vice president of Ethics and Sustainability is an elected corporate officer and reports directly to the CEO and the Ethics and Sustainability Committee of the Board of Directors. This role has authority over the ethics program and the execution of the Corporation's compliance training, procurement integrity and anti-corruption efforts.

Our risk analyses, policies and procedures, and training reflect ongoing monitoring of publicly reported incidents of corruption across the globe, and are updated accordingly.

Setting the Standard, our Code of Conduct

Our Code of Ethics and Business Conduct, "Setting the Standard," applies to our Board of Directors and every employee. Available in 16 languages, it does what its name suggests, setting out clear policies and expectations in areas that include:

- Practicing good citizenship, including support for human rights;
- Preventing corruption;
- Promoting a positive and safe work environment;
- 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.

Business Conduct and Compliance Training

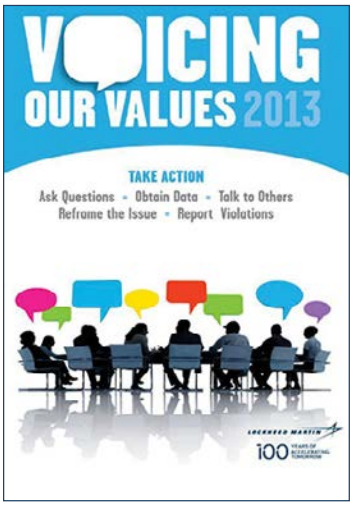
All employees are required to undergo annual business conduct and compliance training. All employees participate in live annual ethics and compliance training, beginning with the CEO and cascading through leadership to the entire corporation. This includes an annual live training session for our Board of Directors. In addition, we annually review our training, as well as our policy on zero tolerance for corruption, to ensure effective risk reduction and control. Relevant employees, including those doing business internationally, also receive specific anti-corruption training. In 2013, our Ethics and Enterprise Risk Management departments oversaw a major overhaul of the training program under the guidance of our risk and compliance committee. The enhanced program links training to risk, merges course topics more efficiently and ensures content is targeted correctly at different types of users. Employees completed more than 525,000 training sessions by year end.

More than 525,000 business conduct and compliance training sessions were completed, **achieving a 100% completion rate.**

Ethics Officer Training Program

More than 50 Ethics Officers are on the frontline implementing our ethics program elements and managing good governance at Lockheed Martin. Each year they complete customized training courses to build their professional knowledge and share best practices with peer ethics officers. In 2013, approximately 650 Ethics Officer Training Program (EOTP) courses were completed and 100 percent of our ethics officers successfully completed an annual proficiency quiz. To gauge the effectiveness of our ethics officers' engagement with internal reporting parties, we also solicit feedback from those who reported misconduct that resulted in an ethics investigation (see table below).

Reporting Party Satisfaction Feedback Scores	2013	2012	2011
Enterprise-wide (score out of five, five is highest)	4.2	4.0	3.9



"Voicing our Values" techniques help employees to report or address misconduct.

Reporting Misconduct

Employees are required to comply with our Code of Conduct and have an obligation to take action when they observe misconduct in the workplace. Some, however, are uncomfortable addressing misconduct themselves or fear retaliation for reporting it. Through our corporate policy statement CPS-001 *Ethics and Business Conduct*, we notify employees of their whistle-blower rights and protections, as described in Defense Federal Acquisition Regulation Supplement 203.9 for defense contractors. We educate employees on ways to resolve or report ethics misconduct by providing live annual ethics awareness training. We promote a culture of trust, exemplified by the clear anti-retaliation stance taken by our executive leadership, with employee resources that include:

- Annual training in "Voicing our Values" techniques to report or address misconduct;
- Communications on "How The Ethics Process Works" to allay misconceptions about interactions with the ethics department;
- Regular ethics communications, including "Integrity Minute" video scenarios throughout the year; and
- Multiple contact vehicles, including our confidential, toll-free corporate ethics helpline and email, business area helplines and emails, on-site ethics offices, and our anonymous online reporting tool—*Ask Us*—where employees can post public or private questions that are answered by an ethics officer.

STAKEHOLDER ENGAGEMENT

Partnering with Customers

In 2013, we held a company-wide Customer Relations Summit. As our customers' priorities change, it's even more important that we communicate closely with them. We renewed our efforts on a customer-focused culture by listening to customer feedback during a full-day session. We developed and have taken steps as part of an 80-point action plan to be able to respond with agility.

Work began on an **industry model supplier code of conduct**, which will be completed in 2014.

Showcasing Ethics Ambassadors

Our ethics team members are ambassadors of Lockheed Martin's vision and values. They engage with our employees through town hall meetings and focus groups, and spread the message externally at industry conferences and universities. In 2013, our ethics team gave presentations at the annual conferences of the Ethics and Compliance Officers Association and the Society for Corporate Compliance and Ethics, sharing our approach to ethics awareness training, self-assessment of our ethics and compliance program and supplier mentoring. CEO, Marillyn Hewson spoke at the Defense Industry Initiative's annual Best Practices Forum, and Lockheed Martin executives spoke about setting an ethical "tone from the top" at the International Forum for Business Ethical Conduct (IFBEC) annual conference. During the year, we played an active role in the Corporate Executive Board Compliance and Ethics Leadership Council, the Ethics Resource Center Fellows program, and IFBEC's Steering Committee.

Marillyn A. Hewson, Chairman, President and CEO, Lockheed Martin, addresses ethics and business conduct as the Steering Committee Chair of the Defense Industry Initiative.

Defense Industry Initiative

Lockheed Martin leads the Defense Industry Initiative (DII) on Business Ethics and Conduct, an association of U.S. defense and security companies committed to promoting a culture of ethical conduct and conducting business affairs at the highest ethical level.

In 2013, our CEO continued a two-year term as the steering committee chair and our vice president of Ethics and Sustainability continued as the working group chair. Under our leadership, DII has launched an online community to share best practices and sharpened its focus on providing resources for the defense supply chain. The association will complete an industry model supplier code of conduct in 2014.

Ethics Program Assessment

Ethics Program Assessments (EPAs) are an internal, periodic assessment of the effectiveness of our Ethics program, and its integration into the business. EPA teams of ethics officers assess all major business areas over a three-year cycle, interviewing executives, soliciting feedback from employee focus groups and reviewing survey and reporting data. The results are summarized into actionable items for executive leadership. This activity aligns to federal guidelines for periodic internal assessments of ethics and business conduct programs.

PERFORMANCE

Ethics Awareness Training: By the Numbers

In 2013, for the 19th consecutive year, all employees on the payroll as of Aug. 30, 2013, completed our annual Ethics Awareness Training, which is, for the majority of sessions, leader-led group training that cascades throughout our organization. In an effort to engage more employees in providing feedback, we changed our post-training survey process in 2013. As a result, our response rate increased 300 percent over 2012 with more than 4,000 employees completing the survey. This detailed feedback will enhance the effectiveness of future training.

Employee feedback response rate on Ethics Awareness Training

UP 300%

Ethics Reporting: By the Numbers

Our ethics organization received 4,249 contacts worldwide in 2013 through sources that include our helpline, corporate email and our anonymous online reporting tool, *Ask Us*. As is our policy, every query and concern was investigated.

Ethics Management Indicators	2013	2012	2011	2010
Total Contacts	4,249	4,611	4,349	4,863
Percentage Change	(8%)	(6%)	(11%)	—
Total Cases/1,000 Employees	6	5	6	8
Absolute Change	1	(1)	(2)	—
Total Guidances/ 1,000 Employees	39	32	27	37
Absolute Change	7	5	(10)	—

Eradicating Human Trafficking

Lockheed Martin is committed to ensuring that its employees and suppliers take appropriate steps to mitigate the risk of human trafficking and slavery from occurring in any aspects of its supply chain. We verify product supply chains through several methods, including site evaluations, inspections, verification of government debarred and denied parties lists and other means. Third parties are not utilized for verification. We do not conduct audits of suppliers to evaluate supplier compliance with company standards specifically for trafficking and slavery in supply chains. However, for anyone who observes misconduct, Lockheed Martin maintains an ethics hotline at 1-800-LM-ETHIC.

We have several related internal policies including: Corporate Policy Statement (CPS)-021 *Good Corporate Citizenship and Respect for Human Rights* and CPS-803 *Sustainability*. We also provide employees and management who have direct responsibility for supply chain management, training on human trafficking and slavery, particularly with respect to mitigating risks within the supply chain.

Our new Supplier Code of Conduct—introduced in 2013—sets out our expectations on the avoidance of human trafficking and child labor. Every Lockheed Martin purchase order references this document.

International Expansion

High standards of ethical conduct are integral to our business strategy, helping build customer trust and win programs domestically and abroad. That's why the Ethics team has played a key role in overseas business development and operations from the inception of Lockheed Martin International in July 2013.

The Lockheed Martin International ethics office supports our international stakeholders with their ethics and compliance needs. International ethics officers are assigned to regions aligned with our business strategy and provide in-country support for our international operations. They take a culturally appropriate approach to global ethics and compliance training, anti-corruption awareness, complaint investigations and employee guidance.

SUPPLIER CODE OF CONDUCT HIGHLIGHTS

Human Trafficking—We expect our suppliers to not engage in the use of forced, bonded (including debt bondage) or indentured labor, involuntary prison labor, slavery, or trafficking of persons. This includes transporting, harboring, recruiting, transferring, or receiving vulnerable persons by means of threat, force, coercion, abduction, or fraud for the purpose of exploitation.

Child Labor—We expect our suppliers to ensure that child labor is not used in the performance of work. The term "child" refers to any person under the minimum legal age for employment where the work is performed.

We expect increasing ethics engagement with international stakeholders to result in improved operational efficiencies, reduced legal and ethical risks, more new business and improved customer satisfaction.

International Supplier Monitoring

We work with U.S. Customs Border Protection to monitor supply chain security activity of contracted foreign suppliers, and we participate in the Customs Trade Partnership Against Terrorism (C-TPAT) program. To measure supply chain risk, each year we send questionnaires developed through the Aerospace Industries Association to foreign suppliers with open purchase orders greater than $100,000. We analyze responses and act on any identified risks that require mitigation. In 2013, we conducted 334 such reviews. We additionally include requirements in our subcontracts requiring subcontractors to address potential supply chain risks.

Sub-tier supplier information is not always available, and the methodology and resources do not exist that allow tracking of smaller suppliers' global footprint. The industry is moving towards Mutual Recognition Arrangements stressing supply chain security best-practices for all suppliers.

	2013	2012	2011	2010	2009
Supplier Reviews	334	311	313	—	—
Program Status	Tier 3 Maintained	Tier 3 Revalidated	Tier 3 Maintained	Tier 3 Maintained	Tier 3 Established

Note: Tier 3 is the highest level for this program. Less than 3 percent of business partners have achieved this level during the past five years.

We also conduct anti-corruption law due diligence on international suppliers of goods and services during the supplier registration process. Our Global Supply Chain Operations organization ensures that such companies disclose anti-corruption information, which we use to determine whether to do business with them. We also revised our acquisition procedures to require our buyers to verify every supplier's anti-corruption rating before initiating a contract outside the United States. We review all supplier profiles with unsatisfactory anti-corruption responses and decide with our Legal department if additional due diligence is required. In addition, we require suppliers based in countries with a Transparency International Corruption Index score of 50 or less to complete an International Subcontractor Anti-Corruption Questionnaire. Internally, our buyers are audited monthly to ensure they are following the anti-corruption process.

Political Participation Disclosure

We actively engage our stockholders on our corporate governance. In 2013, a stockholder proposal sought greater disclosure of the policy, procedures and oversight governing our direct political spending and of our third-party political spending, such as by trade associations.

In response, we now publish spending records by the Lockheed Martin Employees' Political Action Committee (LMEPAC) on our website, as well as listing trade associations to which we paid annual dues of $50,000 or more, and the estimated portion of those payments used for lobbying purposes. Lockheed Martin does not make independent expenditures on political advocacy. Internal audits of our Political Action Committee have produced no adverse findings.

We continue to publicly register all employees who engage with regulators for more than 20 percent of their time, the threshold directed by lobbying transparency regulation.

Executive Compensation Improvements

At our 2013 Annual Meeting, more than 85 percent of the votes cast by our stockholders approved our Say-on-Pay proposal, a significant increase over the 68 percent approval at our 2012 Annual Meeting. In 2013, we implemented changes to our executive compensation program in response to investor input after our 2012 Annual Meeting and our review of best practices. We met or talked with representatives of stockholders owning more than 40 percent of our outstanding shares. We sought feedback specifically on the changes to the executive compensation program described in the 2013 proxy statement. All of the investors with whom we spoke reacted positively to the changes made for the 2013 executive compensation program. The actions in 2013 included:

- Using two business components (Enterprise and Business Segment performance), in addition to individual performance, to emphasize the importance of company-wide financial, strategic and operational goals.
- Increasing the portion of the Long-Term Incentive (LTI) award that is equity-based from 60 percent to 80 percent for our CEO and Executive Vice Presidents (EVPs), ultimately increasing the proportion of executive pay that is directly aligned to stockholder interests.

- We enhanced the emphasis on performance in our target LTI program by increasing the portion of LTI compensation that is based on the achievement of specific and measurable performance goals from 40 percent to 70 percent for the CEO and EVPs.
- Replaced stock options with Performance Stock Units beginning in 2013, resulting in nearly 3.7 million fewer shares granted than in 2012.

For more details about executive compensation, including information on pay alignment with the market, see the 2014 Proxy.

Environment, Safety & Health (ESH) Peer Assessments

In 2013, we completed eight internal peer assessments of selected environment, safety and health programs at Lockheed Martin sites. Internal experts assessed conformance to ESH standards, opportunities for program improvements and best practices for enterprise-wide sharing. This approach grows our talent base and spreads diverse ideas by allowing compliance experts from different business areas to visit operations other than their home site. In 2014, we will expand the peer assessment program.

ESH Incidents of Non-Compliance

In 2013, we had no significant environmental, safety or health incidents of non-compliance (INC) and no significant spills. We consider an INC or spill significant if it meets one of the following criteria: (1) results in a criminal conviction; (2) triggers a civil or administrative proceeding that results in obligations costing Lockheed Martin $5,000 or more; or (3) results in a proceeding or expenditures material to Lockheed Martin's business or financial condition.

The guidance for definition of "significant INC" is based on consideration of external reporting required by the U.S. Federal Awardee Performance and Integrity Information System, and of disclosure requirements of the U.S. Securities and Exchange Commission.

ESH Incidents of Non-Compliance	2013	2012	2011	2010
Significant INCs	0	1	1	1
Value of Fine(s) Paid	$0	$60,000	$182,895	$9,000

RECOGNITION

CPA-Zicklin Index of Corporate Political Accountability and Disclosure

Political disclosure and accountability in the United States is measured by this index, issued by the Center for Political Accountability and the Carol and Lawrence Zicklin Center for Business Ethics Research. As a result of our enhanced disclosures, Lockheed Martin's score rose steeply in 2013, to 55 of 70 points, compared to 20 of 72 points in 2012, placing Lockheed Martin in the top quartile of the index.

OUTLOOK

Anti-Retaliation Program

Our ethics program will only succeed if employees feel confident that they can report misconduct without fear of reprisal. In January 2014, we introduced an Anti-Retaliation Program to identify and protect employees at possible risk of retaliation as a result of having contacted our ethics team. Actions include follow-up conversations with those who report ethical concerns, surveys to a sampling of reporting parties, and close monitoring of potentially higher-risk reporting parties, such as those making complaints against a leader. Instances of possible retaliation will be fully investigated. Employees and leaders will also receive training and communications on common types of overt and subtle retaliation and how to avoid them.

We intend the Anti-Retaliation Program to serve as a deterrent and preventive measure for those who might consider retaliatory action, and also as an added measure of assurance for employees who may have observed misconduct, that they may report their observations with no personal adverse impacts. In 2013, Ethics Officers received specific training to strengthen their skills in investigating allegations of possible retaliation.

To complement the anti-retaliation program, we will launch a feedback survey process in 2014 for the subjects of ethics investigations. The aim is to ensure that reporting parties and subjects are kept informed, are treated respectfully, and benefit from an objective investigation.

Interactive Code of Conduct

In 2014, we will release an electronic, interactive and mobile version of our employee Code of Conduct, "Setting the Standard." Previous versions and updates were printed and physically distributed to employees worldwide. Online delivery will reduce the environmental impact of printed material and will speed delivery to most of our employees. Printed copies will be sent only to those employees without easy internet access.

The 2014 Code will be available on our Intranet, external website and in mobile format, with links to policies, frequently asked questions, videos and other resources. Future ethics communications will direct employees to related sections of the Code, making it a living resource. By evaluating employee use, through search terms and page hits, we will look to identify topics of the Code that may need further communication, training, or supplemental resources.

SUSTAINABILITY MANAGEMENT PLAN

These metrics, part of our Sustainability Management Plan, measure our performance in Governance. We will report on our progress in next year's Sustainability report.

Continue to monitor and measure anti-bribery and anti-corruption by assessing deviations from corporate policy statements on international and domestic business conduct	Maintain 100 percent completion of Business Conduct and Compliance Training for Sensitive Information & International Trade Compliance and International Business Practices
Increase ethics supplier mentoring relationships with small businesses	Increase external stakeholder participation in Core Issues Assessment process
Increase percentage of eligible respondents completing Sustainable Supply Chain Management Voluntary Assessment	

PRODUCT PERFORMANCE

Bridget Lauderdale, Vice President, Aeronautics, connects product performance and sustainability.

OBJECTIVE

Innovate to deliver optimal economic and performance value over the lifecycle of our products.

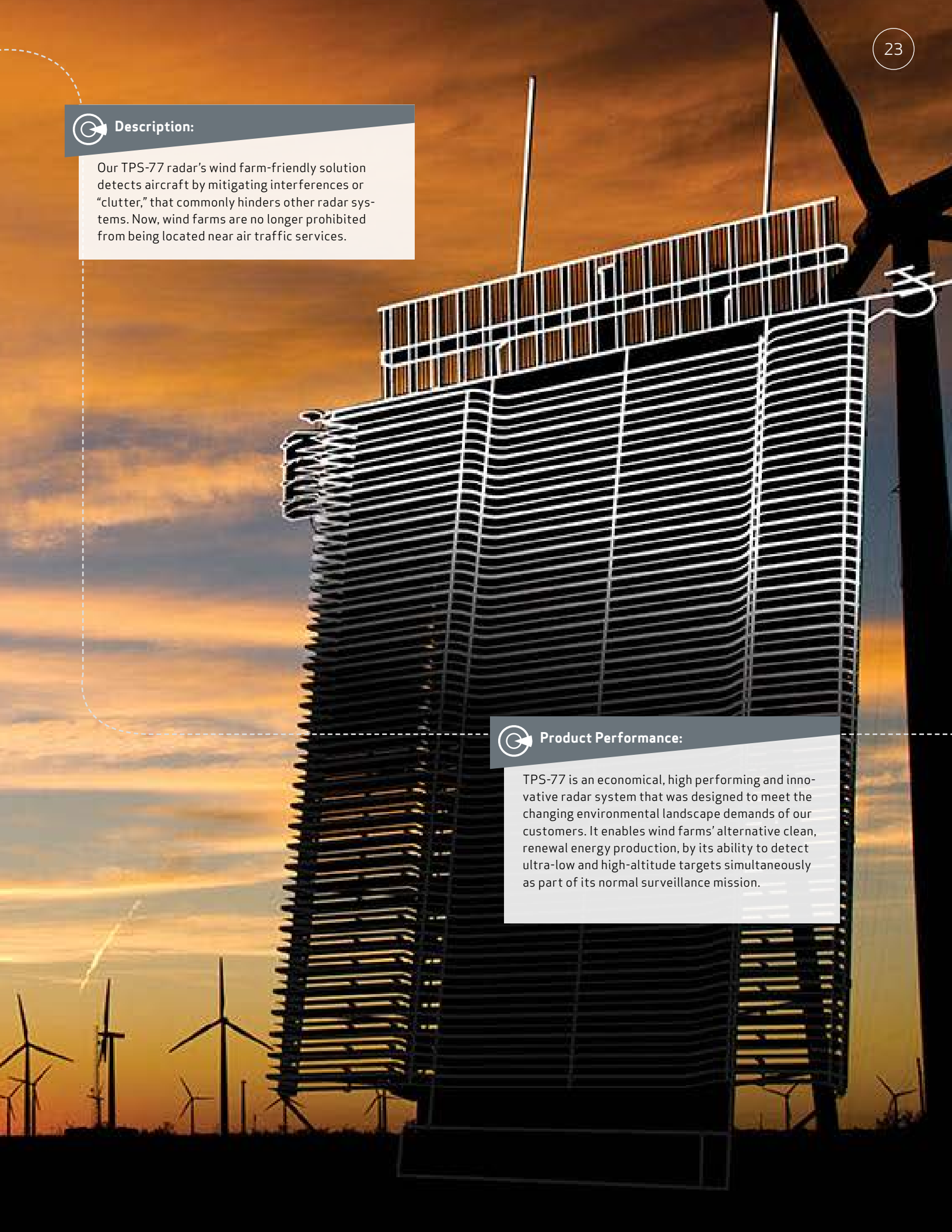
OVERVIEW

The products and solutions we deliver support a variety of critical missions for national security, citizen services, and sustainable development. Our nearly 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 deploy insights from research and development, estimated lifecycle impacts, and stakeholder consultation to influence innovations in product content, design and capability.

Our products are designed to strict specifications for performance, quality and cost. We innovate for harsh environments and "always-on" requirements, while addressing the substantial amount of energy and other resources needed to deploy aircraft, launch rockets, operate IT systems, and use other products in our portfolio. We prioritize size, weight and power requirements that reduce natural resource use, emissions, waste and the overall environmental footprint of products. The better we capture lifecycle product impacts, the better we can source from and manage a complex supply chain of resources.

Core Issue Impacts on Sustainable Business Practices

- **Product Innovation:** We need to work closely with customers—from idea to execution—to develop products that evolve with the process for conceiving, building, managing and sustaining mission requirements. For example, modular design elements of our Littoral Combat Ship allow that one platform to perform a range of missions once requiring a variety of dedicated ship designs.
- **Product Affordability:** In the face of government budget constraints in United States and other core markets, our optimization of resources, including funding, schedule and talent, delivers value-added capabilities to both the customer and taxpayer. For example, each of our "force multiplier" F-22 and F-35 aircraft do the work of several prior-generation airplanes, while our simulator systems provide sophisticated training for air and land platforms at a fraction of the cost of training in actual aircraft and vehicles.
- **Composition of Product Portfolio:** Embedding sustainability in the design and content of our products, and in the growth of our portfolio, enhances business performance. For example, low collateral damage ordnance reduces impacts to noncombatants, buildings, and the environment, while enhancing mission performance.
- **Product Safety, Quality, Reliability:** Aerospace and defense customers require highly customized solutions for mission-critical needs that demand more stringent quality, reliability and safety specifications than commercial goods.



Description:

Our TPS-77 radar's wind farm-friendly solution detects aircraft by mitigating interferences or "clutter," that commonly hinders other radar systems. Now, wind farms are no longer prohibited from being located near air traffic services.

Product Performance:

TPS-77 is an economical, high performing and innovative radar system that was designed to meet the changing environmental landscape demands of our customers. It enables wind farms' alternative clean, renewal energy production, by its ability to detect ultra-low and high-altitude targets simultaneously as part of its normal surveillance mission.

MANAGEMENT

Our engineers, scientists and technologists develop game-changing technologies and processes affecting multiple parts of the product lifecycle. Sustainability innovation takes place across many of our research areas and has contributed to a variety of sustainable technologies and affordable solutions ranging from breakthroughs in ocean energy to a carbon nanotube-based chemical sensor platform tuned to detect a wide range of gases and volatile organic compounds.

Production Operations teams promote best practices that ensure efficient and effective production of goods and services. They manage the process that converts inputs (materials, labor and energy) into outputs (goods and services) with sustainability and lean six sigma principles in mind.

Reinforcing this approach, our Global Supply Chain Operation ensures the right materials are provided at the right location, at the right time, and at the best-possible price through optimized resources and processes. We consider environmental, safety and health impacts of our products by designing products to use less materials and seeking safer alternatives to substances of concern. Customer preferences, contractual and legal requirements, and scientific analysis of potential impact to human health and the environment guide these practices.

We concentrate on four strategic emerging technology platforms to advance product innovations that deliver sustainable outcomes:

- Nanotechnology: Lockheed Martin introduced carbon nanostructured materials on the Juno spacecraft and cost-efficient advanced nanocomposites onboard the F-35 Joint Strike Fighter. These applications clearly demonstrate the adaptation of new materials to new and existing systems, and open the door for future opportunities and advancements. Learn about other ways we think nanotechnology can address environmental and social impacts.
- Data Analytics: Lockheed Martin's experience in processing streaming sensor data and the same engineering capabilities that deployed solutions for space situational awareness and missile defense allowed for a seamless transition to employing data analytics in the areas of forecasting, cyber security, quantum computing and medical analytics. Learn about other ways we think data analytics can improve decision making for sustainable development.
- Robotics: Using robotics, Lockheed Martin products can support first responders with real-time data in the aftermath of natural disasters or provide aerial surveillance in areas too dangerous or remote for humans. See how our robotic innovations could answer environmental and societal challenges.
- Energy: Lockheed Martin solutions are improving energy management through smart grids and capturing abundant clean energy from ocean temperature gradients, from tidal and ocean waves, and from everyday trash. See how we help the world respond to increasing energy demand and population growth.

Corporate Collaboration

Lockheed Martin's five business areas contain a wealth of expertise. To tap it, we use collaborative, interdisciplinary, cross-business-area teams, based on domain expertise and program experience.

In 2013, our Corporate Engineering and Technology (CE&T) organization established four corporate-level councils, responsible for governing collaborative product development activities across the enterprise, chaired on a rotating basis by top managers from our five business areas.

The Program Management Council, Technical Operations Council, Corporate Production Council and Supply Chain Council focus on sharing best practices, policy matters, personnel development and programmatic issues. The councils, which include corporate function and business area members, convene several times a year and held a multi-council meeting in December 2013.

Global Innovation

New developments in areas such as cyber, energy, quantum computing, and nanoscience are occurring outside of the United States. For example, Lockheed Martin partners with universities in the United Kingdom and Australia on highly portable and efficient power solutions that may be used for future, large-scale mobility devices. Lockheed Martin International's engineering and technology organization provides technical support, as well as coordination with our established council structures. This function ensures that Lockheed Martin maintains awareness of these developments and sponsors fundamental and applied research outside the United States to support ever changing global needs.

The development of critical technologies to support the global security of defense and civil infrastructure is a national and international imperative. Lockheed Martin's global engagement in research and development (R&D) supports these national imperatives and has resulted in significant technological advances that are used by our business areas to improve capabilities on existing programs as well as to open doors to new business. One such advancement is our multinational research and development of nanostructures and advanced materials. This effort has produced cutting edge materials that could become the key to mass producing low energy water filtration systems in the future. The focus of Lockheed Martin International in the R&D space is one of collaboration and cooperation with multiple partners to achieve efficiencies, protect people and networks, and recognize the significant talent being applied to sustainability initiatives throughout the world.

Breakthrough Technology Laboratories

For more than 100 years, Lockheed Martin has pushed the boundaries of science and product innovation by investing in leading edge research and development. Our state-of-the-art laboratories and innovation centers include:

- Skunk Works®, working since 1943 to create breakthrough technologies and landmark aircraft that continually redefine flight. The lab develops advanced technology solutions for manned and unmanned systems, drawing on our world-class capabilities in conceptual design, systems engineering and integration, complex project management, software development and rapid prototyping.
- Advanced Technology Laboratories, a group of applied research laboratories that look beyond current requirements to envision future capabilities and needs, exploring technology in areas that include cyber, materials, robotics, informatics and spectrum systems.
- Advanced Technology Center, which serves our business partners by providing discriminating technical solutions that enable successful missions and new architectures.

Innovation Talent Development

Our engineering and technical leadership programs prepare our next generation of leaders to create and deliver solutions for customers' most critical needs. We take this responsibility very seriously, investing in a range of tailored, first-class development courses and on-the-job learning. Such programs expose future leaders to sustainable product development and advanced manufacturing principles, such as the toxicity of raw materials, end-of-life considerations, responsible sourcing and lifecycle impacts.

Our engineering and technical leadership programs include:

- Engineering Leadership Development Program (ELDP): A three-year program that prepares outstanding future engineering and technical leaders through exposure to a variety of challenging work environments.
- Advanced Technical Leadership Program (ATLP): A two-year effort to accelerate the technical, professional and leadership development of mid-career individuals through stretch assignments, strategic research projects, training, mentoring and networking.
- Operations Leadership Development Program (OLDP): A two-year, early career rotation for operations employees that exposes them to key business functions, technical knowledge, leadership training and networking opportunities.
- Production Operations Leadership Institute (POLI): An intensive course to develop the capabilities leaders require to transform our Production Operations.
- Lockheed Martin Innovation Development Program NEXT Team: A program to serve recent graduates recruited from top universities with masters and PhDs in diverse engineering, scientific and technical disciplines. Participants seek to identify, evaluate and develop promising technologies with the potential to impact the future of our business.

In addition, we operate the Lockheed Martin Fellows network, which brings together the top 1 percent of our engineering, scientific and technical community. We train and mobilize fellows to partner with program teams to provide fresh insights and solve challenging problems, providing a community center of excellence that directly contributes to business success. In 2013, there were 344 active fellows and 27 fellows emeritus. We have held six fellows conferences since 2006 and activated 19 Fellows Action Teams since 2008.

Affordable and Efficient Products

For several years we have acted strategically to address our customers' economic needs and challenges and remain competitive in the marketplace, while preparing for continued reductions in U.S. government spending.

During 2013 we took actions in our five business areas and enterprise operations to lessen our direct costs (subcontracts, material and labor) and indirect (overhead) costs. We exceeded our internal overall target by 23 percent in 2013 by reducing overhead costs, cutting capital expenses, negotiating supplier savings, redesigning program governance structures, and removing a net 2.1 million square feet of facility space that we own, lease or operate for the U.S. government.

STAKEHOLDER ENGAGEMENT

Beyond our own operations, we partner with academic, customer and industry-oriented stakeholders to raise awareness of innovative engineering practices in developing new products—from materials and manufacturing to use, maintenance and disposal.

Industry Partnerships

Our primary product-related partnerships include these industry associations:

- American Institute of Aeronautics and Astronautics® (AIAA®)
- America Makes, National Additive Manufacturing Innovation Institute
- Aerospace Industries Association (AIA)
- American Council on Renewable Energy (ACORE)
- Council on Competitiveness (COMPETE)
- Institute of Electrical and Electronics Engineers (IEEE®)
- International Council on Systems Engineering (INCOSE)
- IPC, Association Connecting Electronics Industries (IPC)
- Massachusetts Institute of Technology Energy Initiative (MITei)
- Mission Ready Sustainability Initiative, a project of the National Center for Defense Manufacturing and Machining
- U.S. Manufacturing Competitiveness Initiative (USMCI)

Mission Ready Sustainability Initiative

Lockheed Martin is one of three founding sponsors of the Mission Ready Sustainability Initiative (MRSI). The goal of the public-private partnership is to create a new generation of mission-ready sustainable products and services that enhance efficiencies and technologies, generate economic value, and address environmental imperatives for the U.S. Department of Defense and its armed services departments.

University Research Partnerships

New methods for global collaboration among academia and the public and private sectors optimize United States' investments in research, talent and the technologies that can re-ignite our industries and rebuild our economy. Lockheed Martin has identified critical technology and policy roadmaps to ensure the U.S. sustains the innovation and technology advantage required for national security and economic competitiveness. In particular, these include research investments in the U.S. college and university system and the collaborative sharing of engineering, science, and technology advancements.

Case Study: India Innovation Growth Program

Lockheed Martin is fostering innovative solutions to global problems through a unique program with the Government of India's Department of Science and Technology (DST). Now in its seventh year, the DST-Lockheed Martin India Innovation Growth Program identifies and nurtures promising technologies by pairing inventors with business mentors. It is a partnership between Lockheed Martin and the Indian government, with support from Stanford University Business School and University of Texas IC2 Institute.

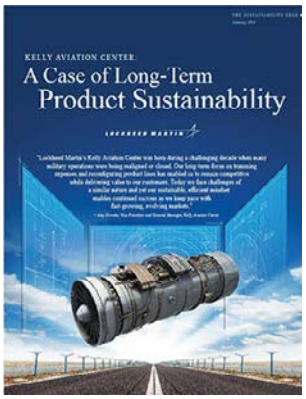
"The program recognizes the creative spirit of Indian inventors and trains them in business innovation," said Dr. Ray Johnson, Lockheed Martin Senior Vice President and Chief Technology Officer, who helps select winning candidates. "The commercialization of these products and services can help solve global problems and create jobs and wealth."

The program visits some 20 cities in search of innovators to compete for funding opportunities. More than 1,000 entries were received for 2013, spanning clean energy, healthcare and robotics. The judges identified 30 winners.

Public-Private Collaboration to Navigate Science and Technology

With the boundaries of science and technology expanding at an unprecedented pace, navigating their applications to society creates great opportunities and challenges. These are best tackled by the public and private sectors and academia working together.

In our Aeronautics business, we're bringing sustainable innovations to legacy aircraft.



Read more about product stewardship efforts in aircraft sustainment.

In October 2013, Lockheed Martin played a prominent role when international leaders in science, technology, policy and business from some 100 countries gathered at the 10th Science & Technology in Society (STS) forum in Kyoto, Japan. This forum seeks to facilitate open, informal discussions on world-shaping trends and to build a human network to resolve new problems stemming from the application of science and technology. Among the opportunities and challenges discussed at the forum were energy security and sustainability; the promise of genomic and regenerative medicine; the economic impact of information technology and related cyber security and privacy concerns; material science and the application of nanotechnology; and our global capacity to monitor and defend against natural disasters. Lockheed Martin's core capabilities are driving innovative solutions to address many of these challenges.

PERFORMANCE

AFFORDABILITY IN ACTION

Improving Aircraft Engines' Staying Power

"Lockheed Martin's Kelly Aviation Center was born during a challenging decade when many military operations were being realigned or closed. Our long-term focus on trimming expenses and reconfiguring product lines has enabled us to remain competitive while delivering value to our customers. Today we face challenges of a similar nature and yet our sustainable, efficient mindset enables continued success as we keep pace with fast-growing, evolving markets."—Amy Gowder, Vice President and General Manager, Lockheed Martin Commercial Engine Solutions.

The operation epitomizes focus on sustainability and efficiency in product development and environmental stewardship. Over the past 15 years, engineers have continually improved the performance and staying power of legacy aircraft engines. Sustainable innovations on the TF39 engine that powers our C-5 aircraft have doubled the engine's lifetime and reduced maintenance needs by two-thirds while increasing mission readiness and affordability for our customers.

The evolving product stewardship initiative takes an integrated approach to sustainability, extending from suppliers to the production line, maintenance and disposal. This lifecycle approach maximizes affordability and performance and reduces impacts on human health and the environment.

Extending Armored Vehicle Life

When Lockheed Martin was selected to upgrade the United Kingdom Ministry of Defence's Warrior armored vehicle, we brought innovative sustainability concepts that extend its life through 2040, eliminating the need to invest in an entirely new fleet. Our solution retains 60 percent of the original vehicle frame while modernizing tactical awareness capabilities, and increasing both survivability and performance. In addition to creating up to 600 jobs, our approach reduces mining and metal processing impacts, waste to landfill and production time; all of which result in a more sustainable, affordable product.

Data Center Energy Savings for Our Customers

According to the U.S. Department of Energy, data centers can consume up to 100 times more energy than a standard office building. As the top provider of IT services to the U.S. federal government, Lockheed Martin is helping customers meet their energy efficiency and cost-avoidance goals by implementing sustainable IT practices, including data center consolidation, cloud computing and virtualization. As the nation's largest user of energy, the federal government has both a tremendous opportunity and an acknowledged responsibility to lead by example in saving energy.

Under the Federal Data Center Consolidation Initiative (FDCCI), the Department of Labor (DoL) is consolidating its data centers to increase energy efficiency and security while reducing costs. In 2013, we completed the first relocation in this seven-year effort. DoL data centers will eventually be moved to the cloud to further increase efficiency.

Supply Chain Category Management

Direct Material Enterprise Agreements, which cover thousands of parts used on multiple programs across the company, accounted for $32.5 million in savings during 2013. This represents an 11 percent savings over the previous price paid for the parts purchased on agreement. Similar efforts resulted in rebates, risk reduction, incremental price reductions, and discounts collected from IT services suppliers, yielding an overall 13 percent cost reduction.

Model-Based Engineering

We developed a new model-based radio frequency payload design approach for our A2100 geosynchronous satellite that enables the efficient design of payload schematics and 3D integration of waveguide and coaxial. The new approach results in a 28 percent reduction in overall cost for the design effort, or $300,000 per spacecraft. For A2100 production, the antenna team developed a model-based, stow-and-deploy tool to optimize the quantity and location of required mounting hardware used to install reflectors. Beyond less waste and related environmental impact, the effort is estimated to save at least $500,000 per spacecraft.

SUSTAINABILITY PORTFOLIO GROWTH IN ACTION

Renewable Energy Horizons

Lockheed Martin and Concord Blue USA, Inc. reached an agreement in 2013 to develop an advanced waste-to-energy conversion system to address key global sustainability issues, including waste disposal, energy security and climate adaptation. This emerging technology uses a gasification process to convert waste products to electricity, heat and synthetic fuels. Its application will address the current burden on landfills, conventional incineration and fossil fuels, as well as the growing demand for clean and alternative energy. Lockheed Martin will provide our engineering, program management, procurement, manufacturing and integration experience to apply Concord Blue's patented technology globally.

Intelligent Microgrid

A new microgrid at Fort Bliss, Texas is reducing greenhouse gas emissions and energy costs at the U.S. Army post. Funded by the Department of Defense, and installed in 2013 by Lockheed Martin, the microgrid marries renewable resources and energy storage to deliver both efficiency and energy security. While tied to the main grid, it can operate independently in the event of an outage or cyber attack.

The system includes on-site backup generation, a 120-kilowatt solar array, a 300-kilowatt energy storage system, utility grid interconnection and Lockheed Martin's Intelligent Microgrid Control System. The Fort Bliss project could be a proving ground for wider-scale use.

Harnessing the Ocean's Power

In 2013, Lockheed Martin signed a contract to begin design of a 10-megawatt Ocean Thermal Energy Conversion (OTEC) power plant, the largest of its kind in the world to date. This 10-megawatt plant is considered a crucial step toward the full commercialization of OTEC technology.

OTEC uses the natural temperature differences found in tropical oceans to drive turbine generators that create electricity. On an average day, 60 million square kilometers of tropical seas absorb an amount of solar radiation equivalent to the energy produced by approximately 250 billion barrels of oil.

The energy produced by an OTEC facility is clean, baseload, reliable and sustainable. Critical advances in our technologies will allow OTEC to serve as an economically viable energy source, available 24 hours a day, seven days a week, rain or shine.

INNOVATION IN ACTION

Next Generation Air Traffic Control

Lockheed Martin's EnRoute Automation and Modernization platform (ERAM) is the next generation of air traffic control. We're upgrading systems for the National Airspace System (NAS) and the Federal Aviation Administration (FAA) to increase air traffic capacity, and to improve efficiency and reduce the fuel consumption and greenhouse gas impact of air travel. As the skies grow busier, ERAM will allow air traffic control centers to track 70 percent more aircraft. In addition, the system will optimize routing through improved access to weather systems information, which improves storm avoidance and reduces fuel use.

Air traffic controllers and pilots will also be able to share information, which will help with flight plan adjustments, when ERAM is fully operational in 2015.

P-3 Orion Success in Yemen

Counterterrorism efforts in Yemen got a tactical advantage from Lockheed Martin's P-3 Orion manned aerial vehicle. The versatile aircraft for surveillance at sea and over land was deployed last year following increased warnings about possible attacks in the Middle East and North Africa.

The P-3's multiple roles include anti-submarine warfare, anti-surface warfare, surveillance and reconnaissance, search and rescue, drug interdiction, economic zone patrol, airborne early warning and electronic warfare. Its presence in Yemen was credited with forcing Al Qaeda in the Arabian Peninsula to suspend all electronic communications, possibly foiling terrorist plots.

The P-3 Orion has been in service for nearly 50 years and relied upon by 17 countries for maritime patrol and support.

In New Orleans, Louisiana, we're taking everything we've learned from building fuel tanks for space shuttles and applying it for a new use: storing and transporting liquefied natural gas.

Applying Space Shuttle Technology on Earth

Lockheed Martin is leveraging technology used in space shuttle external fuel tanks to produce storage tanks for liquefied natural gas (LNG). Our Michoud facility in New Orleans, Louisiana produced the shuttle tanks over nearly four decades, developing an expertise that we are now applying for two customers to safely store LNG in tanks and transport it to consumers.

We are also investigating other areas where space program technology can be applied to support the domestic energy renaissance. A technology developed for the Atlas V rocket, for example, may be applicable to safely storing cryogenic, or super-cooled, fuels in port.

SAFETY, QUALITY, RELIABILITY IN ACTION

Eliminating an Unintended Consequence of Cluster Munitions

We are in the Engineering, Manufacturing and Development phase of the U.S. Department of Defense contract for the Guided Multiple Launch Rocket System (GMLRS) Alternative Warhead.

The Alternative Warhead is designed to engage the same targets and achieve the same area-effects as the former GMLRS submunition warhead, but without the lingering danger of unexploded ordnance. The program is part of a U.S. Department of Defense plan to create a GMLRS variant which meets the DOD cluster munition policy. It will also be compliant with the provisions of the Convention on Cluster Munitions international treaty.

In 2013, we conducted the first successful Product Qualification Test (PQT). The PQT confirmed our rocket design is compliant with customer requirements and signifies we are on track to deliver a reliable, high-quality product. The Alternative Warhead is being developed by ATK under subcontract to Lockheed Martin.

REACH

The European Union's (EU) Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulation aims to improve protection of human health and the environment from the risks posed by chemicals. This improvement will derive in part from substitution of substances of very high concern with safer alternatives. However, some chemicals used in the aerospace and defense industry do not have suitable alternatives, and some military specifications directly contradict REACH. While REACH requirements apply only to manufacturers based in and importers of products sold or imported into the European Economic Area (EU plus Iceland, Liechtenstein and Norway), companies around the world feel the effects of REACH-driven chemical obsolescence, as the EU is the world's largest chemical producer.

Lockheed Martin continues to take action to ensure compliance to REACH regulations throughout our company and within our supply chain, despite the obstacles that advanced technology and military specification standards present for compliance. In 2013, we issued a REACH Authorization awareness letter to our top U.S.-based suppliers warning of global obsolescence issues and recommending steps suppliers can take to mitigate risk. We also developed internal training modules and corporate policies to increase internal awareness and compliance. Externally, we surveyed more than 165 suppliers of more than 2,300 parts, to ensure compliance with REACH's communication requirement.

We also co-chaired the Aerospace Industries Association's (AIA) REACH Working Group for the fourth consecutive year, a partnership seeking industry-wide safer alternatives to hazardous chemicals.

Chemical Sustainability

For more than a decade, we have eliminated or reduced uses of hazardous chemicals in our operations. We also collaborate with our industry partners through the International Aerospace Environmental Group (IAEG) to identify industry-wide solutions related to chemical sustainability. In 2013, we developed a formal enterprise process to identify chemicals used in our products and processes that may be substituted with less hazardous alternatives. The process takes into consideration materials' published toxicity along with sustainable business practices and customer requirements.

Speaking of the Future
Every day, we are pushing the boundaries of invention with new ways to think about processes, materials and technologies with increasing capabilities. Discover how our nearly 60,000 technologists, in collaboration with industry and education partners, are revolutionizing nanotechnology, next generation energy, quantum computing and robotics.

Replacing Carcinogenic Materials

The decision of the U.S. Department of Defense (DoD) to stop approving non-polymeric Chemical Agent Resistant Coatings (CARC) in its weapons and materials inventory after September 2014, required us to act quickly to eliminate their use across many Lockheed Martin programs. The DoD's justification included improved weathering properties, longer survivability and the elimination of crystalline silica, a substance classified as a carcinogen.

In response, we replaced silica-based flattened CARC topcoats on products across the Corporation (including on PAC-3, GMLRS and HIMARS) with polymeric-based flattened formulations, which are non-carcinogenic, prone to marring less, more flexible and provide improved weathering properties. Based on acceptable test results, the new formulation was incorporated without affecting line flow or delivery rates.

RECOGNITION

U.S. Chamber of Commerce Award

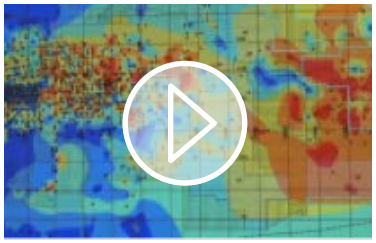
Lockheed Martin was a finalist for the 2013 Citizens Award from the U.S. Chamber of Commerce Foundation's Business Civic Leadership Center. We were nominated in the category of Best Environmental Stewardship for our energy efficiency solutions. These solutions helped commercial and government customers and our own domestic operations reduce their environmental footprint and carbon emissions and collectively saved $100 million.

Federal 100

Jim Derr, director of Aviation Services for the Corporation's Information Systems & Global Solutions business, is a 2014 Federal 100 (FED 100) awardee. He is recognized for his work on the Federal Aviation Administration's Automated Flight Service Stations (AFSS) program where he's responsible for an 800-member team that handles more than 200,000 pre-flight weather briefing calls from pilots each month. Under his leadership, the AFSS program is on track to realize significant savings while improving customer service and safety for pilots throughout the United States. He led efforts to improve safety by reducing the complexity of pre-flight briefings; developing an easy-to-use flight planning platform for pilots; and implementing a precise flight monitoring tool that dramatically improves first responders' ability to locate and rescue downed pilots.

Read how we're anticipating customer needs by bringing sustainable innovations to the engineering design and program management phases of product development.

Imagine the future with advanced manufacturing.



Watch how affordable and environmentally responsible technology explores the ocean floor.

OUTLOOK

Advanced Manufacturing

Lockheed Martin is partnering with our customers to accelerate the evolution of manufacturing. In 2013, we developed an advanced manufacturing initiative focused on four areas:

- Additive Manufacturing: Fabrication with less waste and conservation of natural resources.
- Advanced Materials: Applying potential breakthroughs such as Perforene™, a molecular filtration solution designed to meet a multiplicity of filtration needs, including potable water and nano-copper (CuantumFuse™), a potential replacement for lead-based solders. In addition to supporting related research at three consortia, we chair PERM (Pb-free Electronics Risk Management Consortium), which addresses the challenge of lead-free solders and finishes in aerospace and high-performance electronics applications.
- Digital Tapestry: Reduces paper use during parts of a product's lifecycle, from design through manufacture. For example, MH-60 helicopters were delivered to customers through the use of tablet computing that mistake-proofed the process for delivering design drawings to the customer.
- Next Generation Electronics: Reduces product size, weight, power and cost, consuming fewer resources and generating less electronic waste. Smaller, lighter, and lower power electronics drive reductions in both total environmental impact and cost of ownership.

Life Cycle Assessment

Operational efficiency, material selection and chemical use are all significant factors in the long-term sustainability of products and are essential to sound product stewardship. Life Cycle Assessment (LCA) includes physical and chemical safety considerations for users of products, as well as total environmental impact of materials extraction, sourcing, manufacturing, use and disposal.

We used an analytical framework using LCA techniques, updated in 2013, to understand environmental issues in our business. We estimate that 87 percent of our total environmental impact is directly associated with product use. The balance is principally in the supply chain and to a lesser extent from direct operations.

As the U.S. Department of Defense furthers its guidance and research into program lifecycle costs and impacts, as well as emerging contaminant risks, these topics will become increasingly prevalent in customer contract requirements. We are anticipating customer needs in this area by incorporating our strong culture of innovation and sustainable thinking into engineering design and program management decisions.

Exploring Pacific Ocean Floor

UK Seabed Resources Ltd., a wholly-owned subsidiary of Lockheed Martin United Kingdom, in partnership with the United Kingdom's Department for Business Innovation and Skills, received a license and contract in 2013 to explore a 58,000 square-kilometer area of the Pacific for tennis ball-sized, mineral-rich polymetallic nodules. Found approximately four kilometers beneath the ocean's surface, these can provide millions of tons of copper, nickel, cobalt and manganese, as well as rare earth minerals used in the construction, aerospace, alternative energy and communications industries, among others. Collecting such materials from the ocean floor has been uneconomical. Today, environmentally responsible technologies specifically developed for working in space, and for autonomous air and underwater vehicles in the offshore oil industry, have made commercial seabed exploration an affordable new frontier.

Energy Efficiency Becomes a Performance Driver

Historically, performance factors including range and payload capacity have driven the design parameters of military craft. Fuel efficiency may soon become such a performance factor as the costs and risks associated with transporting fuel continue to grow. Lockheed Martin Skunk Works® has been designing Hybrid Wing Body aircraft that can help the U.S. Air Force to achieve a 90 percent reduction goal in transport and tanker fleet fuel use. The aircraft is designed to meet that goal by increasing aerodynamic efficiency through advanced computer modeling, reducing weight by using lightweight composite materials, and using newer engines, all without sacrificing tactical performance.

SUSTAINABILITY MANAGEMENT PLAN

These metrics, part of our Sustainability Management Plan, measure our progress in Product Performance through 2015. We will report on our performance in next year's Sustainability report.

Increase company realized savings and customer savings	Increase supply chain savings among key suppliers
Increase investment in Life Cycle Assessment-based methodology	Start to track sustainability-based intellectual property (IP) monetization
Decrease the rate of in-process defects, scrap, rework, and repair in manufactured products (for proprietary reasons, we do not disclose performance)	Decrease the frequency of repeat corrective actions to remedy quality escapes (for proprietary reasons, we do not disclose performance)

TALENT COMPETITIVENESS

John Lucas, Senior Vice President, Human Resources and Communications, connects talent competitiveness and sustainability.

OBJECTIVE

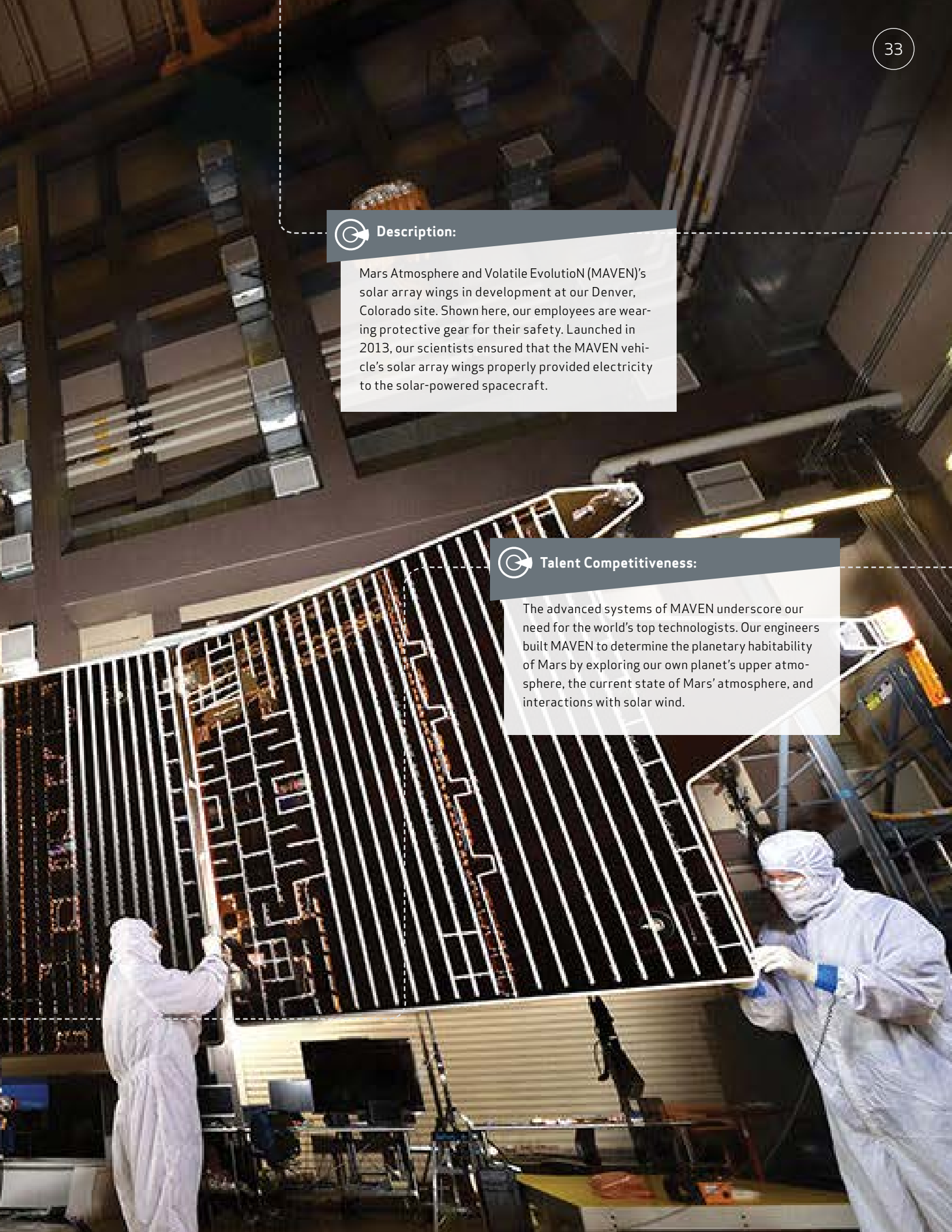
Foster a high-performance, inclusive culture that attracts, engages, and develops talent to excel in our marketplace.

OVERVIEW

Lockheed Martin recognizes that the knowledge and capabilities of every employee must be leveraged to provide the innovative solutions and services our customers need. With a highly skilled workforce that includes nearly 60,000 scientists, engineers and technologists, we consider ensuring safety, fostering diversity and creating an inclusive work environment as key components of our business strategy. The efforts to attract, develop and retain a robust, diverse talent pipeline are complex. They are impacted by the limited supply of science, technology, engineering and mathematics (STEM) students and professionals to fill available jobs. Efforts are also impacted by the unique compliance requirements for U.S. federal contractors, all of which must be balanced with customer budget uncertainties.

Core Issue Impacts to Sustainable Business Practices

- **Equitable Talent Management, Development, Retention:** We invest in our talent and they invest in our success. We strive to create a culture of inclusion where every employee feels equipped and empowered to perform at his or her best.
- **Workplace Safety:** Striving for an injury-free workplace results in a better quality of life for employees, higher job performance, product excellence and mission success for our customers.
- **STEM Outreach:** The labor market requirement for core technical and engineering disciplines is nearly 2.5 times the number of individuals available. This is an unsustainable trajectory and it is critical to our company's and our nation's success that we invest in STEM talent development.



Description:

Mars Atmosphere and Volatile EvolutioN (MAVEN)'s solar array wings in development at our Denver, Colorado site. Shown here, our employees are wearing protective gear for their safety. Launched in 2013, our scientists ensured that the MAVEN vehicle's solar array wings properly provided electricity to the solar-powered spacecraft.

Talent Competitiveness:

The advanced systems of MAVEN underscore our need for the world's top technologists. Our engineers built MAVEN to determine the planetary habitability of Mars by exploring our own planet's upper atmosphere, the current state of Mars' atmosphere, and interactions with solar wind.

MANAGEMENT

EQUITABLE TALENT MANAGEMENT, DEVELOPMENT, RETENTION

Our success rests on a robust human capital strategy that focuses on attracting, developing, motivating and retaining a diverse workforce. The senior vice president of Human Resources and Communications is responsible for developing a human capital strategy that supports the business strategy, and for leading the global Human Resources (HR) team. The role is responsible for ensuring that efforts to build a diverse and sustainable workforce and talent pipeline are aligned with other sustainability initiatives.

Our HR organization includes three centers of expertise: Total Rewards & Performance Management; Talent & HR Operations; and Labor Relations.

The HR team develops solutions to attract the best talent, engage them in the mission, and provide developmental opportunities that enable employees to realize their full potential. They leverage investments in our people, processes and technology in order to provide services that are efficient, cost-effective, integrated and innovative.

Valuing Feedback

We are committed to the sustained development and engagement of our workforce. In 2013, we solicited feedback from our employees regarding the evolution of our performance management system, LM Commit. Human Resources conducted an LM Commit Listening Tour, visiting 19 sites over several weeks and received feedback from more than 1,000 employees and leaders.

Employees had the opportunity to share feedback regarding our LM Commit philosophy: differentiation, meaningful feedback, accountability and transparency. This feedback led to significant changes in the 2013 LM Commit year-end process. We created assessment guidelines, including validation sessions, defined performance ratings and established an overall performance rating selected by leaders. In addition, we offered online and live skills training to leaders globally.

Healthy Actions and Health & Wellness Initiatives

In 2013, Lockheed Martin continued our health and wellness campaign—Accelerating a Better You—aimed at helping employees achieve positive lifestyle changes. The campaign included web-based employee testimonials, leadership videos and company-sponsored physical fitness activities. Healthier and happier employees translate to a more creative and productive workforce with greater potential for innovation. We have several programs to help keep employees healthy including:

- Seasonal Flu Shot Program: free for all eligible employees
- Tobacco Cessation: a Quit for Life® program to help employees become and remain tobacco-free
- Physical Activity Program: tools and tracking methods for personal fitness, including a pedometer to get employees started
- Work/Life Assistance: a helpline providing expert advice with personal, family and work/life needs and problems

99% of employees received a year-end performance discussion

98% of employees had a mid-year performance check-in

91% of employees who chose to, had a career discussion by the due date

Our health and wellness campaign—Accelerating a Better You—helps employees achieve positive lifestyle changes.

WORKPLACE SAFETY

We strive to achieve a zero-injury workplace, going beyond compliance in assessing and mitigating risks to our employees. Our approach encompasses education, management accountability and employee engagement for both manufacturing and office environments. Lockheed Martin's workplace safety and injury prevention efforts extend to subcontractors and visitors to our global operating sites.

The vice president of Corporate Energy, Environment, Safety & Health chairs a cross-business leadership council (the "ESH Leadership Council") that develops workplace safety strategy and tracks safety performance of business operations. Enterprise-wide safety performance is reported monthly to executive senior leaders and at each meeting of the Board of Directors.

Target Zero

Our Target Zero initiative motivates employees to embrace a "zero accidents" mentality. The safety of all employees is paramount to our success as a business and a strategic imperative for our organization. To drive improvement, we emphasize leadership engagement and ownership, and employee engagement through a variety of safety programs and initiatives. Target Zero has led to significant improvements in safety performance since its introduction in 2004. Since the 2003 baseline year we have decreased severity (lost days) rates by 73 percent, day away case rates by 55 percent, and recordable rates of workplace injuries by 58 percent. We also align our safety goal-setting process with components of U.S. OSHA's Voluntary Protection Program (VPP).

Learn more about why Lockheed Martin Aeronautics Greenville Operations developed FRED, a tool designed to improve ergonomics.

Standards

To the greatest extent possible, we encourage site certification to and participation in Voluntary Protection Program (VPP), and Occupational Health and Safety Assessment Series (OHSAS) 18001. For a listing of Lockheed Martin sites that have received VPP recognition and OHSAS 18001 certification, refer to our Blueprint for Tomorrow website.

Ergonomics Programs

Lockheed Martin sites follow our Ergonomics Design Guidelines, which inform the design and development of manufacturing environments to minimize ergonomics-related injuries. We also provide an "Ergonomics for the Mobile Worker" web-based training course for all employees who work outside an office environment, including those on business travel who frequently work in airports or hotels. This provides guidance on proper use and positioning of mobile equipment including laptops, tablets and smartphones, and on creating a comfortable work environment.

To encourage best practices, we held our first Ergo Cup competition in 2013 that recognizes innovative approaches taken by employees to mitigate ergonomic risk. During the competition, 238 employees voted on 23 risk-mitigation initiatives.

In addition, we offer the Ergo University program, a series of training sessions on various ergonomics principles, common assessment tools, controls, and best practices. To date, 125 registrants from the United States and the United Kingdom have taken for training.

STEM WORKFORCE STRATEGY

The Value of STEM Education

The future of global security and our business depends on a highly capable workforce, including thousands of scientists and engineers. To build that pipeline of talent for the future, we have focused our volunteerism and philanthropic efforts around science, technology, engineering, and mathematics (STEM) education. We recognize that tomorrow's scientists and engineers are today's students. That's why we work to advance student interest in STEM through a variety of programs and with the support of our own employees, many of whom routinely visit classrooms to engage, teach and excite young people about entering these critically important fields. Our signature STEM outreach program, Engineers In The Classroom, helps students gain confidence in their technical skills through exploration, experimentation and hands-on experiences. We also contribute to programs and non-profit organizations that align with these goals. For more information, please visit our STEM webpages.

To manage our STEM outreach:

- Our five business areas and Lockheed Martin International implement local efforts to address the unique needs of our communities and employees. This includes educational outreach to schools, museums and after-school programs to engage directly with students and teachers.
- Our Corporate Contributions Committee, the governing body that oversees the philanthropy program, evaluates all grant requests greater than $100,000. The Committee requires the approved organizations to provide metrics on progress against the milestone goals outlined in the partnership agreements. The Committee has set a goal of allocating approximately one-half of Board of Directors-authorized charitable contributions to STEM initiatives by 2015.
- We track progress toward our goals for philanthropic contributions, volunteer hours and matching gift programs using an online database.

STAKEHOLDER ENGAGEMENT

EQUITABLE TALENT MANAGEMENT, DEVELOPMENT AND RETENTION

Employee Resource Groups

Employee Resource Groups (ERGs) and Employee Networks (ENs) are open to all employees. ERGs are established based on the primary dimensions of diversity, such as race, ethnicity, gender, disability status, sexual orientation and gender identity. These groups support professional development, provide opportunities to network and help advance the company's mission and business objectives. ENs are voluntarily established by employees to align common interests within a business function, such as campus recruitment or environmental stewardship. The Office of Diversity and Inclusion established an ERG and EN website, providing employees with internal and external resources for leadership development, discussion forums and templates for forming ERGs and ENs.

Engaging the Aerospace and Defense Workforce

We demonstrate our commitment to attract, develop, motivate and retain our workforce through involvement in industry organizations. Gina Burns, Vice President of Talent and Human Resources Operations, supports Lockheed Martin's talent acquisition and development goals, as well as the workforce for the larger aerospace and defense industry. She serves as the chairman of the Aerospace Industries Association (AIA) Workforce Policy Council which focuses on industry initiatives in STEM, workforce analytics, education, development, skill needs, compliance training, competencies, diversity, inclusion, and branding for the industry as a destination for employment. Our challenges are not unique, and partnering with our industry associations creates collaboration that benefits the entire industry, our employees and our customers.

WORKPLACE SAFETY

Employee Engagement

Lockheed Martin continues to emphasize leadership involvement and employee engagement to maintain a safe workplace. Examples of our programs include:

- To prevent recurrence of injuries, leaders are encouraged to follow a process that requires managers one level above an injured employee's manager to contact the injured employee directly following an incident. We track manager responsiveness through a safety incident reporting tool. This practice ensures leaders are fully engaged in and take ownership for creating a safe work environment for all.
- The semi-annual Heroes for Target Zero Program highlights work sites that continually make the most progress toward achieving safety performance objectives.
- Our facility level safety committees enlist volunteer employees to work in teams to identify potential hazards, develop solutions, and implement corrective actions. For example, our Fort Worth, Texas site's behavior-based safety teams (E-SAFTE) consist of volunteer employees who diligently work to identify root causes and corrective actions to environment, safety and health hazards.

21,069,642
MILES WALKED, RUN OR BIKED BY EMPLOYEES IN OUR FITNESS PROGRAM

70,061
EMPLOYEES PARTICIPATED IN OUR FITNESS PROGRAM

2 LIVES SAVED BY ON-SITE AUTO EXTERNAL DEFIBRILLATORS

32,246
FREE FLU VACCINES WERE ADMINISTERED

(more than 25% of our workforce)

The Center for Health Innovation in Baltimore, Maryland opened in 2013.

STEM OUTREACH

Center for Health Innovation

At the launch of our new Center for Health Innovation in Baltimore, Maryland, we demonstrated innovations in health-related products and services and then issued a call to action. We challenged local high school students to explore the impacts of STEM in relation to the intersection of public health with personal privacy issues. Students from Western High School's Biomedical Sciences program embarked on an eight-week study to provide recommendations for the biotechnology, health care and public policy sectors.

E-waste Educational Outreach

To create broader awareness of the global impacts of improper electronic waste (e-waste) disposal, we partnered with the Lockheed Martin Leadership Institute at Miami University of Ohio to develop a mobile learning application . The e-waste app consists of educational modules and an e-waste recycling game. In 2014, we will distribute it through STEM educational partners, free of charge.

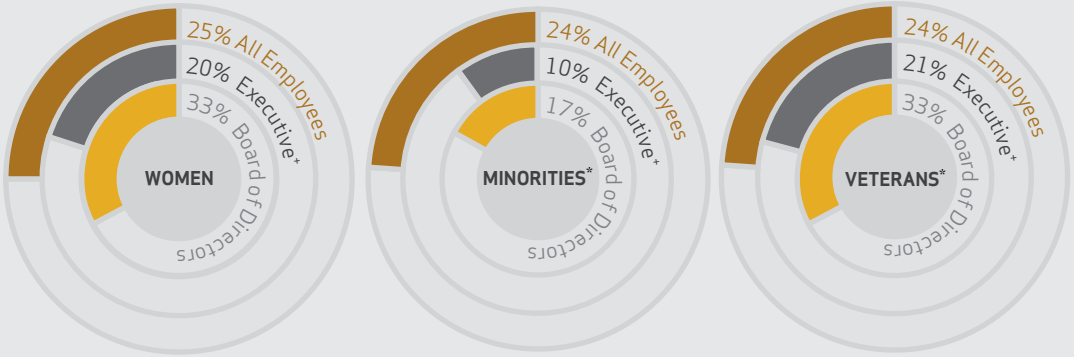
PERFORMANCE

EQUITABLE TALENT MANAGEMENT, DEVELOPMENT AND RETENTION

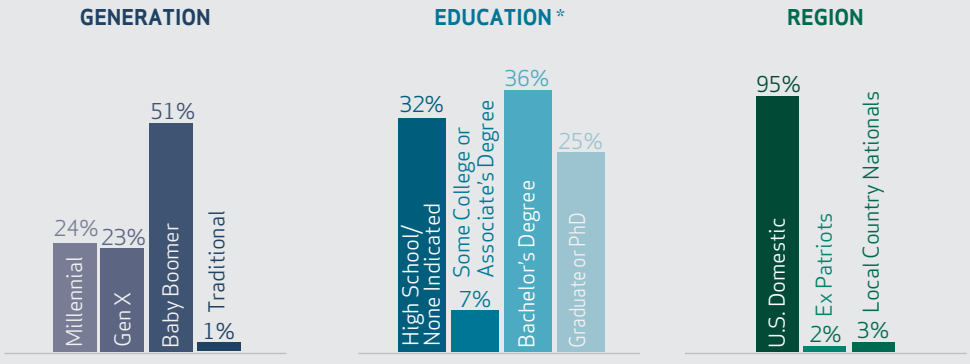
Developing and Engaging Inclusive Leaders

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

COMPANY DEMOGRAPHICS



+ Executives are Directors and above
* Excludes Local Country Nationals



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 indicating that our leaders needed to engage more fully in diversity and inclusion efforts. At the end of 2013, more than 95 percent of senior executives had completed the lab curriculum and begun applying lessons learned.

In 2013, we enhanced our ELOIT initiative by conducting ELOIT Summit sessions focused on developing diversity and inclusion skills for early- and mid-career leaders. Sixteen sessions were held across the United States (Albuquerque, New Mexico; Denver, Colorado; Livermore, California; and Sunnyvale, California) and championed by ELOIT executive alumni. More than 785 leaders took part engaging peers and developing action plans to further their learning.

Moreover, in 2013, many Lockheed Martin Business Areas hosted ELOIT panel discussions to further maximize ELOIT learning experience through discussions, activities and reflections.

Global Talent Development

We recognize the importance of developing global technology relationships to take advantage of the significant research and development that is done outside the United States. As part of the International Engineering and Technology (IE&T) organization within Lockheed Martin International, we're developing a team of Regional Technology Managers (RTMs). These individuals are chosen from among the top of our technical team for three characteristics: outstanding technical talent, interpersonal and relationship building skills, and specific cultural experience and language skills. In addition, the fundamental skill for RTMs is the ability to actively and effectively listen.

Once selected, RTMs are then entered into Lockheed Martin's Technical Ambassador program, and four part training curriculum developed in collaboration with the University of Maryland, that offers training on international business, cultural understanding, and relationship building skills. RTMs travel to their regions seeking collaborative project partnerships in areas such as Small Satellites, Quantum Computing, Energy and Cyber. Investments in collaborative R&D projects are a pivotal part of the Lockheed Martin International global sustainment strategy.

Hiring Veterans

More than 24 percent of our employees are veterans, and knowing the value of military service, we proactively seek to hire more. In 2013, we attended 163 hiring events for veterans and transitioning military personnel (service members preparing for civilian life), and participated in 34 transition assistance programs at military bases across the country. Every month we host a Wounded Warrior virtual chat, in which U.S. veterans market their skills to our hiring managers and recruiters. In 2013, 37 percent of our external hires were veterans.

	Total Veteran Hires	Transitioning Veterans Hires	Total Vet Hires as % of External Hires	Veteran % of Total LM Population
2013	2,490	27%	37%	24%
2012	2,969	32%	40%	24%
2011	3,520	30%	40%	24%
2010	3,898	28%	39%	25%

100,000 Jobs Mission Reaches Milestone

Lockheed Martin is a partner in the 100,000 Jobs Mission, in which nine corporate members met their goal earlier than planned, collectively hiring 117,439 U.S. military veterans by the end of 2013. The initiative was launched in early 2011 with the collective goal of hiring at least 100,000 veterans by 2020 and has exceeded all expectations. We hosted more than 50 companies at an event to discuss ways to bridge the differences between civilian and military cultures and break down barriers to employment. The team also reviewed talent sharing among members of the 100,000 Jobs Mission through its newly launched Veteran Talent Exchange.

Labor Relations

Approximately 15 percent of Lockheed Martin employees are covered by some 60 separate collective bargaining agreements with various unions. A number of our existing collective bargaining agreements expire in any given year. Historically, we have successfully negotiated renewals to expiring agreements, without any material disruption of operating activities. In 2013, we negotiated agreements with 17 collective bargaining units worldwide.

In addition to the 100,000 Jobs Mission, Lockheed Martin participates in other hiring initiatives in support of veterans, wounded warriors and military spouses. To learn more, visit the Transitioning military page.

OUR ANNUAL NOVA AWARDS

are the highest recognition employees can earn. Categories of excellence include Affordability, Ethics, Exceptional Service, Full Spectrum Leadership, Teamwork, Technical Excellence and Technical Innovation. Hans Tench, Information Systems & Global Solutions' Business Development Director for South Asia won the 2013 Ethics award for reporting a concern about sensitive bid information.

Employee Disaster Relief

Our employees have always looked out for one another in times of need. Through the Lockheed Martin Employee Disaster Relief Fund (LMEDRF), created in 2006, employees generously contributed money and their accrued vacation time to provide friends and colleagues across the Corporation with short-term, emergency financial assistance. When the LMEDRF became fully funded at $10 million this year, we closed the fund to new contributions and expanded our vacation donation options to support causes that align to our business strategy. These include our K-12 STEM education support programs, military and veterans initiatives, and health and wellness non-profit partners. In the first six months of the new program, more than 900 employees contributed more than $450,000 to support non-profit organizations—one vacation hour at a time.

WORKPLACE SAFETY

Culture of Safety Progress

Lockheed Martin's safety programs exemplify successful leadership involvement and employee engagement to strengthen a culture of safety in global operations:

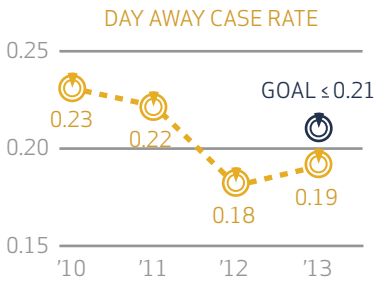
- To drive leadership engagement, Lockheed Martin's Space Systems sites created and implemented a proactive safety program on management involvement, employee engagement, ESH teaming, training, focused safety campaigns and communications, and job hazard evaluation programs. This program covers hazard identification and correction in work areas as a means to reduce injuries. Managers set targets and report metrics to executive management on the number of hazards identified and corrected on a monthly basis.
- Behavior-based safety is an established element of the Lockheed Martin safety culture. In addition, participation in VPP and OHSAS 18001 provides opportunities for sharing best practices with other participating companies, regulators, and auditors.

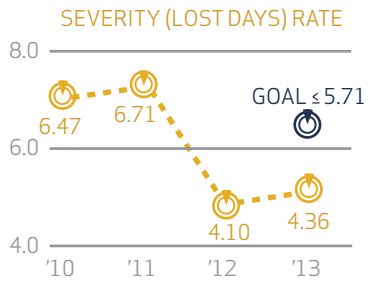
In 2013, we reviewed safety and health information from 26 of our largest sites, each of which had more than 1,000 employees, and certification to OHSAS 18001 or participation in VPP. More than 60 percent of the 50,000 employees across these facilities were represented on safety committees and teams.

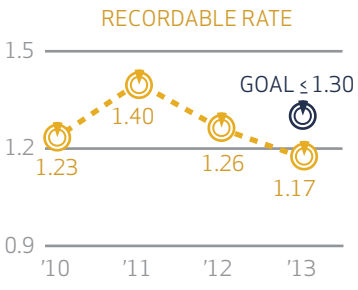
Workplace Safety Results

We established safety performance goals for 2013 to reduce severity (lost days) rates, day away case rates and recordable rates of workplace injuries by 2 percent from the rolling average of our last three years of performance. We surpassed all three of our 2013 safety goals (see charts below).

Target Zero Workplace Safety Performance







Performance is reported by calendar year and include all Lockheed Martin facilities worldwide. Employees operating in-theater (war zones) are not included in this data. Each rate is calculated per 100 employees, working 40 hours per week for 50 weeks per year.

STEM WORKFORCE STRATEGY

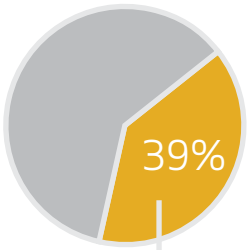
Community Outreach

We help to strengthen the quality of life for people in our local communities around the world through philanthropic contributions, community outreach and volunteerism. In 2013, we contributed more than $25.2 million to charitable organizations, including those with a strong focus on improving science, technology, engineering, and mathematics (STEM) education.

We team with non-profit organizations such as the National Teachers Association and the National Geographic Society to extend the reach of our giving and to offer our employees volunteer opportunities. Last year, our employees volunteered more than 950,000 hours to worthy causes of all types and contributed more than $20 million of their own money.

In 2012, we prioritized our outreach efforts to focus approximately half of our charitable giving on STEM education initiatives. In our first year of implementation, 2013, nearly 39 percent of our total donations supported STEM efforts. We are taking a phased approach to implementing our new strategy, allowing the necessary flexibility to make donations to other important local community needs.

Total 2013 Contributions $25.2 Million



STEM Contributions $9.8 Million

Supporting Students

For 10 years, we have partnered with Lockheed Elementary School and Harmony Leland Elementary School in Marietta, Georgia to conduct after-school experiments in STEM fields. The Lockheed Martin branded program, LM SMART, follows the school system curriculum and enhances the fifth-grade students' learning experiences through experiments led by our employee volunteers.

Students end each year with a "fly-off" in which they test fly the planes they built. Ninety percent of students who graduate from the program say they plan to pursue careers in STEM fields.

Supporting Science Teachers

Lockheed Martin is investing in our nation's teachers by helping keep STEM education exciting and impactful. We collaborate with the National Science Teachers Association (NSTA) to provide early-career educators with deep exposure to the newest advancements in STEM fields and mentoring opportunities with practicing professionals.

In July 2013, we invited six math and science teachers designated as Lockheed Martin-NSTA Fellows to watch the launch of the U.S. Navy's second Mobile User Objective System (MUOS) satellite and tour NASA's facility at Kennedy Space Center, where our Orion Exploration Flight Test-1 spacecraft is under production.

"Lockheed Martin knows that to prepare students for success in a science and technology-driven workforce, teachers must have opportunities to gain greater exposure and learn themselves," explained Dr. David Evans, executive director, NSTA. "These mentoring and networking relationships between working scientists and science teachers can dramatically improve how science is taught and learned."

Lockheed Martin volunteers conduct after-school science experiments through the LM SMART program in Marietta, Georgia. Some 90 percent of students who graduate from the program say they plan to pursue careers in STEM fields.

Leading the Way

We recently launched a three-year grant to the non-profit Project Lead the Way (PLTW), enabling the Syracuse City school district in New York to implement a robust pre-engineering curriculum throughout all 11 middle schools and five high schools in the district. The grant provides training for teachers, computer labs for city schools and curriculum support materials.

Nearly 10,000 students take courses, such as engineering design and development, digital electronics, and engineering design, inspiring some of them to pursue careers in STEM fields such as mechanical and software engineering.

Trash to Treasure

During Lockheed Martin's 2013 Re-Use Engineering Design Challenge, in Orlando, Florida, budding engineers were tasked with designing a unique, usable product made out of household trash and recyclables. Through this project, Lockheed Martin environmental engineer Lisbeth House aimed to inspire biology students to become passionate about engineering, a topic to which they had never been exposed.

Biology students representing 18 Orange County public high schools were given just two weeks to come up with an idea for a product, design and build it, and provide drawings, research and evidence of using the design engineering cycle. They created and designed sprinklers, furniture, tote bags and headphones—things they actually use.

"These students will be entering the 21st century workplace where they will be using technologies and skills that have not yet been discovered," House said. "They will be facing natural resources challenges, and this project prepares them to do more with less."

Lockheed Martin was honored by the Tech Council of Maryland with the 2013 Hall of Fame Award at their 25th annual Tech Awards Celebration.

RECOGNITION

Catalyst Award

In late 2013, the Corporation was notified that our Women Accelerating Tomorrow Initiative would receive the 2014 Catalyst Award, a prestigious annual recognition to honor initiatives that expand opportunities for women in business. Lockheed Martin is the first company in the aerospace and defense industry to receive this honor.

Catalyst recipients must show proven, measurable results that benefit women across a range of dimensions including race, ethnicity, sexual orientation, gender identity, nationality and disability. The award recognizes companies that have demonstrated established strategies and results that address the recruitment, development and advancement of female leaders.

Out & Equal Award

Lockheed Martin's PRIDE network, an Employee Resource Group, was recognized as Employee Resource Group of the Year by Out & Equal, the world's largest non-profit organization dedicated to creating safe and equitable workplaces for lesbian, gay, bisexual and transgender (LGBT) people. More than 2,500 people were in attendance for the awards ceremony at Out & Equal's 2013 Workplace Summit. PRIDE was honored for its proven track record in advancing LGBT workplace inclusion.

Tech Council of Maryland Award

The Tech Council of Maryland honored Lockheed Martin with the 2013 Hall of Fame Award at its 25th annual Tech Awards Celebration. We were recognized for our active role in strengthening the quality of life in and around Maryland, and supporting STEM programs, events and campaigns that focus on student achievement, teacher development and gender and ethnic diversity. The citation also highlighted our efforts to improve the lives of military men and women, and their families, through educational and training opportunities.

IndustryWeek Magazine recognized Missiles and Fire Control's facility in Archbald, Pennsylvania, as one of the "Best Plants" of 2013.

IndustryWeek magazine's "Best Plants"

Missiles and Fire Control's facility in Archbald, Pennsylvania was selected as one of *IndustryWeek* magazine's "Best Plants" of 2013. Approximately 420 employees work at the Archbald facility that designs and manufactures precision-guided weapon systems and nuclear systems for military and civil customers. A highly-skilled and flexible workforce enables the site to move employees between production areas to meet emerging demands, contributing to low hours per unit. Pictured above, workers are preparing a wiring harness for a rotary-wing platform upgrade kit.

OUTLOOK

EQUITABLE TALENT MANAGEMENT, DEVELOPMENT, RETENTION

Diversity and Inclusion Focus

In March 2014, we formed the Executive Inclusion Council, a team of senior leaders representing each of our business areas who will take our progress in diversity and inclusion to the next level. Led by our CEO, Marillyn Hewson, the council will work to develop new strategies for strengthening and nurturing Lockheed Martin's diverse and inclusive workplace. We're committed to building on our history of embracing the diverse talents and perspectives of our employees to drive innovation and business success. We know that an inclusive environment enables us to bring our best thinking and ideas to the table, and that is critical to maintaining our leadership in technology and innovation.

All-Employee Survey

In June 2014, the LM Voice survey will be administered to employees across the Corporation. The biennial survey has four components: employee experience; ethics and integrity; diversity and inclusion; and leadership excellence, which result in an overall Organizational Health Index score. Feedback from LM Voice will be used to inform the company's diversity agenda and strategic focus. Leaders will create action plans to respond to employee feedback.

Leadership Forum Summit

In early 2014, an inaugural Leadership Forum Summit was held to bring together senior leaders from all seven leadership forums:

- African-American Leadership Forum
- Council of Asian American Leaders
- Hispanic Leadership Council
- Lesbian, Gay, Bisexual, Transgender (LGBT) Leadership Forum
- Military/Veterans Leadership Forum
- People with Disabilities Leadership Forum
- Women's Leadership Forum

Summit participants included senior vice presidents and vice presidents who sponsored leadership forums, alumni from the Effective Leadership of Inclusive Teams (ELOIT) learning labs, and directors and other diversity leaders who champion inclusion activities.

The purpose was to solicit feedback from those engaged in diversity and inclusion efforts regarding the impact of current initiatives and identify opportunities to better align leadership forums and employee resource groups with the business strategy.

As a result of the Summit, key themes were identified and recommendations presented to senior leadership on opportunities to enhance the culture of inclusion at Lockheed Martin. Implementation of approved recommendations will begin in 2014. The plan is to hold a Summit each year.

WORKPLACE SAFETY

In 2014, we will continue to engage our employees and leadership in building a culture of safety across the corporation. For example, a Safety Norms Safety Culture Perception Survey, which was completed at our Marietta, Georgia, facility helps reveal the root causes of safety issues. The site uses the findings to drive improvements in safety culture and enhance safety performance. We are planning to expand this survey to other sites in 2014.

As we expand operations into global markets, we are further refining our safety and health programs and service-delivery model for improved efficiency and employee awareness.

STEM OUTREACH

USA Science & Engineering Festival

Lockheed Martin is the founding and presenting sponsor of the world's largest STEM outreach and awareness event. The biennial event takes place in Washington, D.C., April 25–27, 2014. Crowds of more than 350,000 people from around the world are expected to participate in festival events. More than 250 employees will volunteer in the 40 interactive and hands-on Lockheed Martin exhibits at the festival.

E-waste Education

We will continue to develop educational material on reducing e-waste for use in external engagements and STEM outreach activities. We will also educate our employees on this topic.

SUSTAINABILITY MANAGEMENT PLAN

These metrics, part of our Sustainability Management Plan, measure our performance in Talent Competitiveness. We will report on our progress in next year's Sustainability report.

Decrease voluntary attrition among top performing employees as compared to the total employee population	Maintain diversity & inclusion Organizational Health Index at 2012 levels, as measured by LMVoice employee survey results
Achieve or exceed day away, recordable, and severity case rate goals for workplace safety	Reduce average time to complete 1-over-1 manager discussions following a work related injury
Allocate approximately half of Board of Directors-authorized charitable contributions to initiatives that support STEM education, with impact metrics for major grants by 2015	Increase number and percentage of employee volunteers to initiatives that support STEM education

SUPPLIER SUSTAINABILITY

Dr. Ray Johnson, Chief Technology Officer, connects supplier sustainability to Lockheed Martin's sustainability.

OBJECTIVE

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

OVERVIEW

Our business depends on an extensive global network of suppliers to provide the materials, parts and services to make our final products. The majority of our product deliveries are complex, durable goods that involve more than five tiers between Lockheed Martin and the source of raw materials that eventually enter the manufacturing process. The composition of our supply chain makes it challenging to effectively manage social and environmental issues related to certain raw materials, detect counterfeits, and mitigate impacts of natural resource-intensive activities. To jointly deliver quality products, achieve lower costs and advance sustainable sourcing, we take steps to build strong relationships with suppliers and engage strategic suppliers, including diverse small businesses.

Core Issue Impacts on Sustainable Business Practices

- **Supplier Standards:** We hold our suppliers to the same standards for business conduct as we do our own employees. Building capacity among suppliers to live these values improves environmental and social conditions worldwide.
- **Conflict Minerals:** The sale of conflict minerals from the Democratic Republic of Congo (DRC) and the surrounding region has been linked to human trafficking, slavery and human rights atrocities. Tin, tantalum, tungsten and gold are used in many manufacturing processes and associated products, so we are performing reasonable country of origin inquiries with relevant suppliers to seek to identify the origin of these raw materials in our products.
- **Counterfeit Components:** Counterfeit parts not only impact product quality and performance, but can jeopardize global security. We take measures to mitigate the potential of receiving counterfeit parts from suppliers to ensure the integrity and performance of our products.

Description:

Aeronautics' C-130J Super Hercules production line at our Marietta, Georgia facility. The C-130J incorporates state-of-the-art technology, which reduces labor requirements, lowers operating and support costs, and provides life cycle cost-savings over earlier C-130 models.

Supplier Sustainability:

As a result of multi-supplier support from 569 Tier 1 suppliers and partnerships with more than 12 countries, the C-130J sub-assembly is made up of more than 19,500 parts that all contribute to the C-130J's ability to perform in combat and non-combat, but equally harsh, environments. For example, C-130Js are often the first to support humanitarian missions such as search-and-rescue, medical evaluation, weather reconnaissance, aerial firefighting in the United States, and delivering relief supplies after earthquakes, hurricanes, typhoons, and tsunamis around the world.

MANAGEMENT

Supply Chain Profile

In 2013, Lockheed Martin had direct orders with 23,000 active suppliers from 61 countries—19 percent fewer suppliers and 10 percent fewer countries than the previous year. This reduction was driven by supplier conformance to our heightened expectations for sustainable business practices, including in cyber security. Of these 23,000 suppliers:

- More than 90 percent are based in the United States.
- More than 1,200 are based in key international expansion countries—the United Kingdom, Canada and Australia.
- Nearly 1,000 are located in the European Union, inclusive of the United Kingdom.
- Nearly 40 percent are manufacturers, 25 percent provide services and 14 percent are distributors.
- 53 percent are small businesses: the number of active small business suppliers increased by 6 percent from 2012 to 2013.
- 18 percent are locally based within 30 miles of a major Lockheed Martin facility.

OUR SUPPLY BASE:

18% locally based

90% U.S.

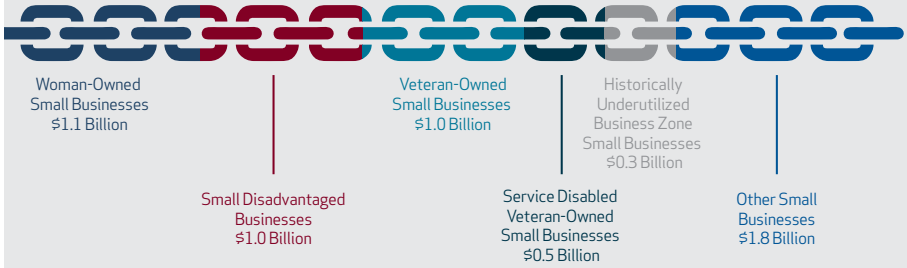
53% Small Businesses

40% Manufacturers

SMALL BUSINESS SUPPLIER CONTRACTS

IN 2013, WE SPENT

$5.8 BILLION WITH SMALL ENTERPRISES



Sustainable Supply Chain Management

Lockheed Martin pursues Sustainable Supply Chain Management (SSCM) by managing our global supply base in ways that drive affordability and innovation through responsible sourcing and environmental stewardship. The goal is to align our supply base's social, ethical, environmental, safety and health responsibilities with our own sustainability objectives. We also know that design decisions at the earliest stages of new product development represent the greatest opportunity to increase the sustainability of our products over their life cycle.

Our suppliers are a key partner in achieving success in all aspects of sustainability and we significantly expanded our engagement efforts during 2013. We achieved two major milestones: issuing our first Supplier Sustainability Assessment and launching a comprehensive Supplier Code of Conduct. Together, these initiatives will improve our ability to design more sustainable products that go beyond typical cost, quality and delivery factors. As it expands and matures, SSCM will broaden its activities across the supply chain, serving as a platform for risk mitigation and sustainable innovation.

Supplier Code of Conduct

Our high expectations for business conduct extend far beyond our walls. Lockheed Martin has maintained an employee code of conduct, "Setting the Standard," since our formation in 1995, which we have flowed to suppliers via purchase orders. In 2013, we developed a code of conduct specifically tailored to supplier business conduct, with a stronger focus on sustainability. We

In 2013, we developed and began issuing a code of conduct specifically tailored to supplier business conduct, with a stronger focus on sustainability.

began issuing the Lockheed Martin Supplier Code of Conduct via new purchase orders. The plain-language pamphlet provides a concise and informative guide on Sustainable Supply Chain Management objectives and topics such as anti-corruption, human rights, labor practices, environment, information protection and management systems.

We believe the Code will increase suppliers' understanding of our expectations, reducing the risk of sustainability-related issues in the supply chain.

Risk Management Tools

When selecting suppliers we aim to ensure operational capabilities, quality and financial stability. The many factors we take into account include multi-tier supply chain exposure, country solvency, cyber security posture, legislative and regulatory requirements, counterfeit parts exposure, rare earth elements and specialty materials dependencies, geopolitical events, potential impacts from U.S. budget reductions, and likelihood of natural disasters.

For our active suppliers, we employ enterprise-wide risk tools and risk mitigation processes, overseen by Global Supply Chain Operations and our Enterprise Risk Management (ERM) process. Risk indicators and mitigation activities are reported quarterly to our chief financial officer and annually to the Board of Directors. We partner with corporate peers and the U.S. federal government on our risk activities, and recently disclosed our detailed risk-mitigation processes and tools to the Defense Contract Management Agency. Our business areas deploy real-time incident management systems to track and react to disruptions such as natural disasters, terrorist activities, labor strikes, criminal activity and fires.

We use risk management tools to evaluate an individual supplier's operational and financial health. Suppliers are ranked by risk level, based on several factors including their significance to product criticality, sole-source status, quality-of-service history and strength of supplier relationship.

Since we cannot equally monitor 23,000 suppliers on a day-to-day basis, our supply chain management practices are driven by a proven process of "trust but verify."

On all large programs, we work with major suppliers to complete a comprehensive risk assessment, which includes governance, labor and other sustainability-related issues. This is followed by a supplier excellence plan, which lays out required risk-mitigating actions. Using comprehensive risk assessments, we have significantly improved our ability to predict risk with suppliers and mitigate unforeseen events in a timely and proactive manner.

Supplier Criteria

We are working to factor sustainability criteria into the buying of goods and services. This process faces challenges including changing the cultural mindset beyond only conventional cost, quality and delivery factors. Additionally, some suppliers may resist providing information on internal practices. Our purchase orders now highlight our Supplier Code of Conduct, explain our Sustainable Supply Chain Management objectives and invite suppliers to partner with us to drive responsible growth and raise standards.

Our acquisition procedures contain instructions to our buyers to consider "Sustainability and Go Green" efforts under the technical criteria during their evaluation of offers. On a contract-by-contract basis, sustainability factors may be significant criteria, such as with our corporate agreements for electronic waste recyclers (see e-waste case on page 50).

Our supplier management portal includes mandatory sustainability questions that suppliers must update at least every three years. These questions address:

- Socio-economic status
- Sale of green/sustainable products
- Use of sustainable packaging on shipments
- Cyber security maturity
- Membership in the Customs-Trade Partnership Against Terrorism
- Anti-corruption measures

Non-Compliance Management

Since we implemented a comprehensive risk assessment and other countermeasure tools, the percentage of poor performing Lockheed Martin subcontract suppliers has been consistently below our 2.5 percent ceiling.

Despite this strong record, in 2013 a working group was established to further analyze the causes of poor supplier performance and to determine whether further countermeasures are necessary.

We also comply with requirements to ensure that suppliers we consider using are not debarred or suspended by the U.S. government. Subcontracts under prime contracts containing FAR 52.203-13 must additionally adopt a Code of Conduct.

Supplier Diversity

We are strongly committed to utilizing and developing supplier companies that are owned by women, veterans, or based in economically disadvantaged areas. As a federal contractor, our U.S. government customers also require us to offer maximum practicable opportunity to small business suppliers. Small business plays an important role in Lockheed Martin's efforts to deliver high-quality products containing sustainably-sourced materials and smart technologies.

Through outreach events, we identify qualified diverse suppliers that match our needs and then provide them with business development assistance and opportunities to compete for contracts. We work closely to build capacity for small businesses to have a management system approach in place to mitigate potential governance risks, ensure continuity of supply and promote sustainability objectives.

In the current economic environment, improving productivity and achieving cost savings requires an unprecedented level of cooperation, particularly with small businesses, which tend to face more adversity in volatile economic climates. Our supply chain includes companies that provide unique specialty items, such as rocket motors, space payloads, radars, thermal batteries, composites and solar cells, which they typically supply only to other defense companies, heightening the risks to their business from government budget reductions. During 2013, we took the following steps to sustain economic resiliency among small business suppliers:

- Evaluated current and future requirements for acceleration of orders
- Improved forecasting of purchase order requirements for supplier business planning
- Ensured supplier view and access to adjacent market opportunities
- Secured government backing of loans and lines of credit to small businesses to preclude cash flow interruption
- Evaluated use of special payment terms or alternate contract types where needed to ensure stable cash flows
- Offered financial mentoring to suppliers

Our dedicated procurement representatives awarded contracts to more than 10,400 small business suppliers in 2013. These contracts totaled $5.8 billion, or 27.5 percent of overall supply chain spending. In the past three years, Lockheed Martin has driven $18.7 billion of subcontract awards to small enterprises. We will continue to invest in these important relationships.

Mentoring Program

We actively support the federally-managed Mentor-Protégé Program, which helps small businesses compete for contracts by partnering with large companies under individual, project-based agreements. We provide training to protégé partners and host information sessions where they engage with and learn from our small business liaison officers and procurement personnel. We also leverage the program to assist small businesses with advanced technologies development. We currently have 11 active mentor-protégé agreements with U.S. government agencies.

STAKEHOLDER ENGAGEMENT

Open Communications

We regularly communicate with our supply base to ensure awareness of critical topics, such as sequestration and new regulations. We aim to be transparent and frank through mechanisms including our robust supplier web page, email updates and mailing of critical information. An email resource account is available for suppliers who have questions or comments at Supplier.Communications@lmco.com.

In June 2013, we held our annual Virtual Supplier Conference, inviting more than 8,000 suppliers who received purchase orders totaling $10,000 or more during the previous year. The theme was "Securing the Supply Chain during Uncertain Times," and executive speakers addressed more than 1,500 suppliers live on topics ranging from sequestration and regulatory compliance to information security to ethics and sustainability.

C. Anthony Cusack, QSACK President and CEO, connects with our Robyn Snyder, MST Supplier Diversity Program Manager, at the 2013 Prince William County Chamber of Commerce Government Contractor's Industry Day.

Small Business Partners

Small and diverse business partners bring special skills. We appreciate their agile ability to tackle difficult and technical challenges, their new perspectives on challenges, and their innovative customer solutions. Some of our most-valued and longstanding partners include:

- QSACK & Associates, Inc: This small disadvantaged business has been in the industry for 12 years providing information technology and business support services to multiple corporations and government agencies. QSACK provides our Integrated Submarine Imaging System (ISIS) Program Management Office with administrative, financial and engineering support services at a competitive rate.
- Cummings Aerospace: Woman-owned Cummings Aerospace provides critical engineering services to the Lockheed Martin Targets and Countermeasures program in support of the Missile Defense Agency. The program provides unarmed targets designed to represent adversary missiles, and Cummings is among the few businesses with the requisite engineering and operations skills. The firm has become a proven and valued partner and we have helped expand its personnel's engineering competencies.

Sustainable Purchasing Leadership Council

We are a Founders Circle member of the Sustainable Purchasing Leadership Council (SPLC). The SPLC is a platform for guiding, measuring and recognizing leadership in sustainable purchasing; establishing a "LEED in procurement" rating system; and harmonizing common training, guidance, definitions and measurements in the realm of sustainable purchasing.

PERFORMANCE

Sharing Expectations with Suppliers

Lockheed Martin made significant progress in this area during 2013, including:

Sheila Cummings, President, CEO and Founder of Cummings Aerospace. The woman-owned engineering firm supports targets and countermeasures work.

- Releasing our first standalone Supplier Code of Conduct, which active suppliers receive on the face of their purchase orders.
- Issuing a sustainability assessment to 25 key suppliers representing 46 percent of our supply chain spending, to ensure their sustainability standards match our own and to manage potential risk areas. This pilot assessment will form the basis of a capabilities and gap analysis that will enable us to partner with suppliers to increase transparency and sustainable manufacturing techniques.
- Joining the Founders Circle and Board of Directors of the Sustainable Purchasing Leadership Council.

Conflict Minerals Progress

As a publicly held company, Lockheed Martin is required to comply with the U.S. Securities and Exchange Commission's (SEC) rule on conflict minerals, which includes submitting a Conflict Minerals Report (CMR) by May 31, 2014. Most of our products include components which contain tin, tantalum, tungsten and gold, commonly referred to as 3TG. We are taking steps to seek to verify whether our products contain 3TG sourced from the Democratic Republic of Congo (DRC) and the surrounding region.

Though we communicate our general principles on human rights, ethics and business conduct to our 23,000 suppliers, the scale of our network means that determining the source of these specific minerals presents enormous challenges.

To address this challenge, we formed a multidisciplinary working group to engage stakeholders and assess our supply chain. Led by our Controller, General Counsel, Supply Chain Council and Internal Audit, the working group oversaw the following initiatives aimed at delivering SEC compliance:

- Evaluating our products to assess the likelihood that they contain tin, tantalum, tungsten or gold
- Surveying 657 suppliers representing 90 percent of our direct material spending in 2012, on the conflict minerals content of their products
- Communicating our compliance expectations to suppliers and providing related resources
- Educating our Global Supply Chain Operations and Contracts professionals to facilitate compliance
- Incorporating conflict minerals compliance expectations in our Supplier Code of Conduct
- Strengthening industry collaboration on conflict minerals through the Aerospace Industries Association

As of Dec. 31, 2013, a large portion of our supply chain, measured by direct material spending, had responded to our survey, and we are collaborating with them on the path to what would be considered reasonable due diligence. We expect these efforts will provide a basis for compliance throughout our supply chain.

Like other manufacturers, Lockheed Martin will be unable to confirm with absolute certainty, the origin of all 3TG in our products. The sourcing and production of 3TG is performed worldwide and incorporation of these materials into our products is added far upstream in our sub-tier supply chain, on whom we are not performing due diligence.

Counterfeit Parts Mitigation

Counterfeit parts have unknown performance reliability and often limited quality controls. Ramifications could jeopardize national security and mission integrity through product failure, cyber security breaches, and increased costs of maintenance, testing and replacement. Their detection may be difficult due to the lack of visibility into complex, multi-tier supply chains, and the issue's urgency is underscored by recently enacted legislation that would increase prime contractors' liability for counterfeit parts detected in their products.

To address the threat of counterfeit parts, we've developed a strategy of prevention, detection, mitigation and resolution techniques tailored to our products, services and customer needs. Steps taken in 2013 included:

- Training our procurement teams on counterfeit parts controls awareness and avoidance
- Procuring parts only from approved original equipment manufacturers and distributors, and limiting the use of parts brokers
- Utilizing third-party test labs to confirm parts authenticity
- Requiring suppliers to maintain counterfeit parts prevention and control plans

An enterprise-wide team executes our counterfeit parts controls strategy, driving our expanding efforts to prevent, detect and mitigate their entry into our supply chain.

E-waste Stewardship

As the leading information and technology provider to the U.S. federal government and an employer of about 115,000 people in communities around the world, Lockheed Martin can have a major positive influence on electronic waste (e-waste) recycling. Poorly managed e-waste streams contribute to confidential data losses, raw materials availability to counterfeiters, and adverse impacts to human health and the environment. In 2012, we launched efforts to improve our internal e-waste processes and educate employees about the benefits of responsible recycling. We also spread this message through our STEM education volunteer programs.

Valley Forge, Pennsylvania employees during the September 2013 Employee Personal E-waste collection event

In 2013, we expanded this effort to our supply chain. We partnered with e-waste recycling vendors to ensure that used electronics at our U.S. facilities are responsibly managed. In addition, we made e-Stewards certification—an independent third-party verification—a contract requirement for all our e-waste vendors. All of Lockheed Martin's e-waste recycling vendors are now e-Stewards certified. This trend has won us recognition from the Basel Action Network. This is an example of how we have partnered with our suppliers to reduce the negative environmental and social impacts from our value chain.

During the year, we also held 15 employee e-waste events, collecting 80,000 pounds of employee e-waste to be responsibly recycled.

Sustainability Assessment

We issued our first Supplier Sustainability Assessment to 25 of our key suppliers that represent 46 percent of our supply chain spending. This survey of environmental, social and governance factors will become the baseline for a capabilities and gap analysis that will enable us to partner with suppliers to increase transparency and sustainable manufacturing techniques. As of the

publication of this report, 84 percent of the suppliers have responded. We're evaluating responses, and early indicators show that the vast majority of our key suppliers are meeting the sustainability expectations we establish for our own company.

RECOGNITION

U.S. Small Business Administration's Dwight D. Eisenhower Award

The U.S. Small Business Administration awarded Lockheed Martin the 2013 Dwight D. Eisenhower Award for Excellence-Manufacturing. The award recognizes large prime contractors that have excelled in the utilization of small businesses as suppliers and subcontractors.

Department of Commerce's 2013 Distinguished Supplier Diversity Award

The Department of Commerce's Minority Business Development Agency recognized Lockheed Martin with the 2013 Distinguished Supplier Diversity Award. The prestigious award is presented annually in recognition of corporations, programs and individuals that have significantly advanced the growth and development of minority business enterprises.

NASA Large Business Prime Contractor of the Year

Lockheed Martin was named the Large Business Prime Contractor of the Year by NASA's Johnson Space Center. The award recognizes sustained excellence in meeting or exceeding small business requirements during the nine years the company has held a contract to prepare and process cargo for the International Space Station. In the prior year, Lockheed Martin exceeded five of seven small business utilization goals by 20 percent or more.

OUTLOOK

Conflict Minerals

We are on track to submit our Conflict Minerals Report to the U.S. Securities and Exchange Commission by the due date of May 31, 2014. The results of our due diligence efforts thus far make it likely that we will file as "Undeterminable" for 2013 and will accordingly prepare and file a form SD (Specialized Disclosure) and CMR (Conflict Minerals Report) in May 2014. We believe that this determination will be consistent with those of many of our industry partners and with most major downstream manufacturers.

We respond to all customer inquiries about our conflict minerals compliance program, and during 2014 will begin directing customers to our upcoming Conflict Minerals webpage for detailed information.

We seek to mature due diligence on determining reasonable country of origin for our direct material spend. We will continue to survey our suppliers to identify direct smelter information, using the template designed by the Electronic Industry Citizenship Coalition (EICC) and the Global E-Sustainability Initiative (GeSI). If responses raise red flags, we will investigate and work with the supplier's conflict minerals representative to ensure due diligence and compliance.

We will also conduct an expanded review and analysis of our products to determine tin, tantalum, tungsten or gold content.

SUSTAINABILITY MANAGEMENT PLAN

These metrics, part of our Sustainability Management Plan, measure our performance in Supplier Sustainability. We will report on our progress in next year's sustainability report.

100% of suppliers receiving supplier code of conduct (via open purchase orders)	Assess 100% of top 500 suppliers below target threshold for Dun & Bradstreet Supplier Stability Index score and have risk mitigation plans as necessary
Increase percentage of eligible respondents completing Sustainable Supply Chain Management Voluntary Assessment	Ensure 100% of eligible purchasing, quality, or other affected employees complete Counterfeit Parts Awareness Training
Increase percentage of suppliers with deliverable hardware with acceptable counterfeit work control plans, as assessed by business area	

RESOURCE EFFICIENCY

Mike Sarpu, Vice President, Mission Systems and Training, connects resource efficiency and sustainability.

OBJECTIVE

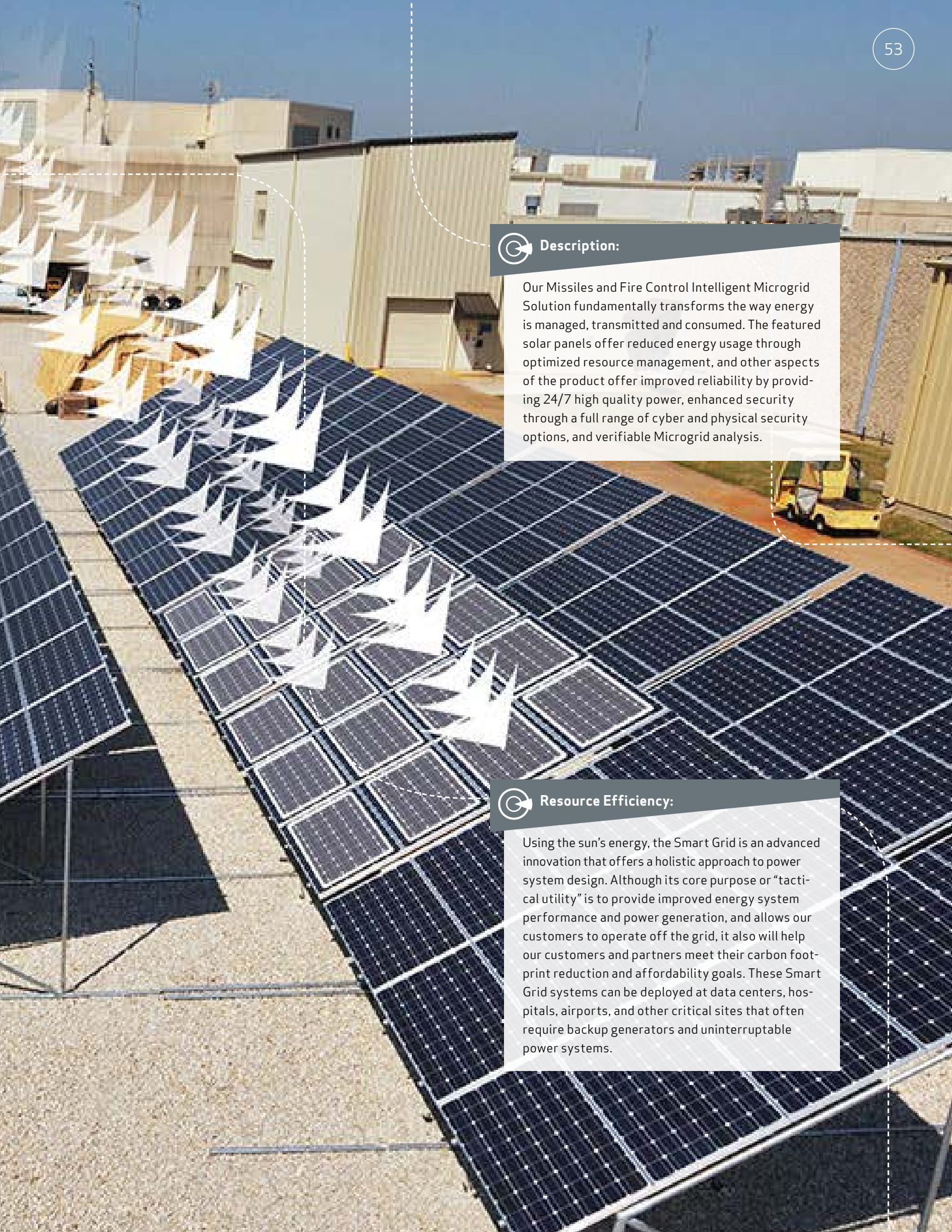
Optimize the use of natural resources in our operations to reduce carbon emissions through improved energy management.

OVERVIEW

Natural resources, energy, climate change, social issues and economic pressures are closely interconnected. We set global facility environmental targets that address the range of our environmental impacts, including energy use, emissions, water use and waste to landfill generation. We also effectively manage environmental remediation. These efforts reduce environmental impacts of our operations, enable sustainable development, increase production efficiency, and mitigate climate-related business cost and risks. In 2013, we completed a more comprehensive analytical framework using a combination of Life Cycle Assessment techniques to more fully understand and prioritize environmental issues in our supply chain, facilities and products. The findings affirmed the most significant issues for our business operations are associated with energy use and its climate change impacts. See how we improve products' environmental impacts in the Product Performance section on page 22.

Core Issue Impacts on Sustainable Business Practices

- **Energy Use:** We're committed to optimizing energy use in our operations, through efficiency programs and the use of renewable energy to power our facilities.
- **Greenhouse Gas (GHG) Emissions:** We aim to reduce the emissions of greenhouse gases and ozone depleting substances in our operations.



Description:

Our Missiles and Fire Control Intelligent Microgrid Solution fundamentally transforms the way energy is managed, transmitted and consumed. The featured solar panels offer reduced energy usage through optimized resource management, and other aspects of the product offer improved reliability by providing 24/7 high quality power, enhanced security through a full range of cyber and physical security options, and verifiable Microgrid analysis.

Resource Efficiency:

Using the sun's energy, the Smart Grid is an advanced innovation that offers a holistic approach to power system design. Although its core purpose or "tactical utility" is to provide improved energy system performance and power generation, and allows our customers to operate off the grid, it also will help our customers and partners meet their carbon footprint reduction and affordability goals. These Smart Grid systems can be deployed at data centers, hospitals, airports, and other critical sites that often require backup generators and uninterruptable power systems.

MANAGEMENT

The vice president of Corporate Energy, Environment, Safety & Health chairs a cross-business leadership council (the "ESH Leadership Council") that develops our operational resource efficiency strategy, and tracks performance of business operations in the areas of:

- Voluntary reductions in carbon, energy, waste to landfill and water use
- Environmental, safety and health governance
- Environmental remediation

Environment, Safety & Health (ESH) teams work alongside Facilities, Corporate Engineering and Technology, Business Development, and Global Supply Chain Operations teams to implement our environmental sustainability strategy and reduction targets. The Production Operations organization in each of our business areas collaborates on manufacturing processes that yield energy efficiency improvements.

Go Green 2020 Targets

We have a strong commitment to environmental stewardship in our operations. In 2008, we established the Go Green initiative against a 2007 baseline to track our environmental performance and measure progress toward three specific targets: 25 percent absolute reductions in carbon emissions, water and waste by the end of 2012. Through employee initiatives, innovative projects and strong management, we met or exceeded each of these goals nearly a year ahead of schedule.

In 2012, we launched new environmental sustainability goals to reduce carbon emissions, facility energy-use, waste to landfill and water-use by 2020, from a 2010 baseline. Our strong performance during 2013 prompted us to revise those targets. We increased our energy-use target 5 percentage points and our water-use target 15 percentage points at both the corporate operations and business area levels. The more ambitious goals by 2020 are to:

- Reduce carbon emissions by 35 percent
- Reduce facility energy use by 25 percent
- Reduce water use by 25 percent
- Reduce waste to landfill by 35 percent

These new goals strengthen our industry leadership in the sustainability arena and align with the goals of U.S. federal agencies to meet energy, water and waste reduction targets by 2020. Our carbon and energy goals also align well with the UK Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. As demonstrated by our Go Green program and performance, the lack of full scientific certainty does not postpone measures to prevent environmental impacts.

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.

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

LOCKHEED MARTIN'S GO GREEN 2020 GOALS ARE:

Reduce carbon emissions by 35 percent

Reduce facility energy use by 25 percent

Reduce water use by 25 percent

Reduce waste to landfill by 35 percent

CUSTOMER SCORECARDS

Using scorecards, we closely monitor how our performance aligns to our largest customers' sustainability goals, including those of the U.S. Environmental Protection Agency, Department of Energy, Department of Defense, NASA, General Services Administration (GSA), and United Kingdom's Ministry of Defence.

STAKEHOLDER ENGAGEMENT

Customers and Sustainable Chemicals

We collaborate closely with the U.S. Department of Defense (DoD) on chemicals and materials substitution programs. Lockheed Martin is also a member of the Department's Sustainable Chemicals and Materials for Defense group, which identifies solutions related to chemical-sustainability challenges.

U.S. Department of Energy (DoE) Better Plants Program

Lockheed Martin is a corporate partner in the DoE Better Plants Program. The Better Buildings/Better Plants Challenge supports commercial and industrial building owners by providing technical assistance and proven solutions to energy efficiency. The program also provides a forum for matching partners and allies to enhance collaboration and problem solving in energy efficiency. Partners and allies are publicly recognized for their leadership and innovation in energy efficiency.

Employee Engagement

Our employees' dedication and our company's performance-driven culture are key enablers in achieving our Go Green goals. To recognize the top employee contributors, we celebrated 70 Energy Champions nominated by their colleagues during National Energy Action Month in October 2013. These committed individuals led initiatives to reduce energy usage, ranging from high-tech facility upgrades to culture-changing employee engagement activities. Many of these projects are now saving millions of dollars a year in utility costs while significantly reducing carbon emissions. We publicized the best practices implemented by our Energy Champions across the company and also encouraged employees to register their own work area as a "Green Zone."

PERFORMANCE

Go Green Performance

To ensure transparent and accountable performance reporting against our operational environmental targets, we commissioned third-party certification of our 2013 carbon, waste and water inventories (see page 57). The findings, along with a detailed breakdown of Lockheed Martin's energy use by type, can be found in our CDP Climate Change report. We also provide our annual water performance data to the CDP Water report.

We adjust our carbon and energy baselines and metrics in accordance with The Climate Registry's General Reporting Protocol, Version 1.1. We apply a similar methodology to adjust our water and waste baselines and metrics.

CDP
DRIVING SUSTAINABLE ECONOMIES

Our annual Climate Change CDP report includes details on our energy consumption, GHG emissions, Scope 3 emissions and energy intensity.

Our annual Water CDP report includes details on our water usage, discharge and sourcing from water scarce regions.

Energy Efficiency Progress

During 2013, our facilities continued to implement more than 350 energy-efficiency projects completed or in process such as HVAC improvements, retro-commissioning activities, and deploying demand analysis to reduce peak loads. These initiatives contributed to a 12 percent reduction in energy use and an 18 percent reduction in carbon emissions compared to the 2010 baseline year.

For example, our facility in Grand Prairie, Texas has taken a systems approach to identifying energy reduction projects by using a Lockheed Martin-developed tool to identify potential HVAC improvements. In 2013 alone, the site's electrical energy usage fell by approximately 14 percent, resulting in a cost avoidance of $420,000. We look to replicate such grassroots initiatives in other similar facilities.

We also explore new areas for energy savings targeted at our most energy-intensive processes. In 2013, our site in Fort Worth, Texas identified energy savings from improving the efficiency of the autoclave process. In 2014, we plan assessments of two additional energy-intensive processes.

To educate our employees on best practices, during 2013 we conducted HVAC retro-commissioning workshops in the U.S. at four of our largest facilities and held on-site training and webinars on building energy standards.

Data Center Consolidations

Data center consolidation also offers major efficiency opportunities, generating both energy and cost avoidance across the Corporation. Through our Enterprise Business Services data consolidation efforts, we reduced or avoided about 3.5 million kWh — the equivalent of turning off about 600 servers. This was accomplished through migration to cloud and virtual server applications, facility closures, and the co-location of labs. We also generated business wide energy and cost efficiencies by reducing the need for cooling, power, labor and facility space.

For example, in 2013, our IS&GS business area consolidated 67 data centers and labs, reducing its IT footprint by about 49,231 square feet without sacrificing computing performance or capacity.

Consolidation program has led to new IT procedures that emphasize cloud computing, virtualization and co-location to meet future IT needs while driving increased efficiency.

Awareness Raising in Orlando

Efficiency is as much about people as the systems they implement, as demonstrated by our Mission Systems and Training (MST) Orlando, Florida Facilities Team. Their successful energy-reduction program, focused on employee awareness, communication and participation, resulted in an average 43 percent decrease in energy use on non-work days.

The energy cost reductions generated by activities included turning off task lighting and unplugging equipment equates to about $330,000 annually. Based on this impressive level of employee participation, MST plans similar energy awareness activities across the business area's major facilities in 2014.

Modernizing Infrastructure

When Lockheed Martin acquired our Ampthill facility in the UK, it operated above a 6,000 megawatt energy threshold that led to higher taxes and administrative oversight. With portions built as early as 1930, Ampthill's antiquated infrastructure posed a challenge to the site's energy conservation team. They responded by replacing lighting fixtures, air conditioning units, timers, compressors and heaters, bringing the buildings into the 21st century. The results to date include a 20 percent reduction in energy consumption and almost $20,000 in annual cost avoidance. The planned installation of solar panels will generate an additional 218,000 kWh savings each year.

Renewable Energy Progress

In 2013, Lockheed Martin generated clean renewable energy in over 10 locations, including solar, geothermal, and biomass projects. In 2013 our site in Denver, Colorado implemented a 500 kW solar array that will fuel the campus electrical grid. In addition to reducing GHG emissions, the project will generate estimated annual electricity savings of more than 750,000 kWh, and save more than $26,000 in its first year.

Chillers, pumps and headers at the Grand Prairie, Texas facility were modified to help reduce energy use by approximately 14 percent.

This 500 kW solar array in Denver, Colorado fuels our campus' electrical grid.

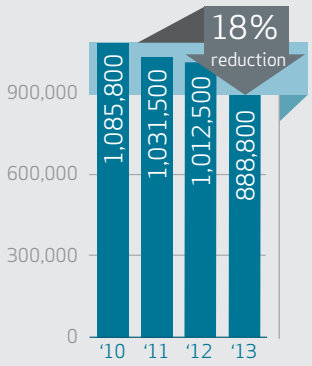
Green Power	2013	2012	2011	2010
Green Power Purchased (MT CO_2e)	207,943	252,573	273,065	172,202
% of Total Electricity Used	24%	26%	27%	16%

To view the locations that have on-site renewable energy visit the LM Blueprint for Tomorrow.

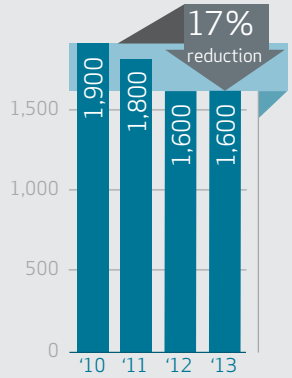
2013 ENERGY REDUCTION AND WATER CONSERVATION EFFORTS CONTRIBUTED TO APPROXIMATELY $19 MILLION IN LOWER ANNUALIZED OPERATING EXPENSES

GO GREEN PERFORMANCE

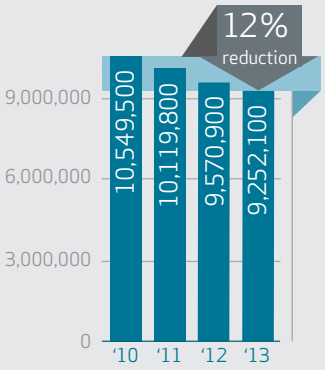
CARBON (MT CO_2e)*



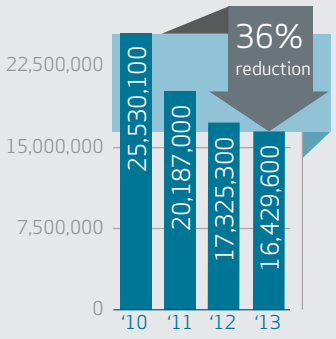
WATER (millions of gallons)



ENERGY (MMBTU)



WASTE TO LANDFILL (pounds)



Metrics are reported from Nov. 2012 through Oct. 2013. Carbon and energy data is reported for our largest 80 facilities in the United States, United Kingdom, Canada and Mexico, representing 88% of our global footprint. Water data is reported for our largest 44 facilities in the United States, representing 81% of our global footprint. Waste data is reported for our largest 46 sites in the United States, United Kingdom and Mexico, representing 82% of our global footprint.

*Carbon emissions include the offset of purchasing renewable energy credits (RECs) and green power.

Green Buildings Progress

Our approach to facility management in the United States aligns with the U.S. Green Business Council's Leadership in Energy and Environmental (LEED) standards. Through 2013, 30 Lockheed Martin buildings achieved the LEED certification, representing nearly 3 million square feet of efficient office, conference, training, and mail-handling space. 2013 LEED certifications included:

- *Lockheed Martin's National Business Park, Annapolis Junction, Maryland* which received LEED Gold certification for Commercial Interiors. The 48,000-square-foot project's sustainability benefits include:
  - Purchase of renewable energy credits to offset 100 percent of electricity use for two years
  - Nearly 28 percent reduction in lighting power
  - 95 percent of construction waste diverted from landfills
  - Over 20 percent of building materials were recycled or manufactured within 500 miles of the site
  - All equipment and appliances are ENERGY STAR rated
- *Space Systems Company's Sunnyvale, California site renovation,* an 18-month renovation that achieved LEED Silver certification. Sustainable features included:
  - LED lights installed in the parking lot generating estimated annual savings of 1 million Kwh and $98,000
  - Old controls, supply valves and actuators in air-handling systems replaced, reducing energy use by about 46 percent
  - Control software modified to allow chiller plant operators to select the most efficient chiller/cooling tower combination based on demand

Smartway Transportation

We recognize that transportation services throughout our multi-tier supply chain represent a substantial opportunity to reduce the lifecycle environmental footprint of our business. When many of our transporters proved unable to provide data on the specific impacts of our supplies, we began contracting with carriers in the U.S. Smartway Program, who commit to benchmark their operations, track fuel consumption and improve performance annually. By the end of 2013, Smartway carriers represented about 60 percent of our total U.S. transportation expenses. This partnership will provide a low-cost way to reduce our life cycle greenhouse gas emissions and fuel consumption.

RECOGNITION

- The U.S. Environmental Protection Agency (EPA) recognized Lockheed Martin as a Leader in Green Power Purchasing for our achievements in advancing the nation's renewable electricity market. As of September 2013, we were 14th on the EPA National Top 50 Green Power Leadership list.
- EPA also recognized us as a Climate Leader in the Goal Setting Certificate category for our commitment to aggressive greenhouse gas goal setting.
- The Manufacturing Leadership Council recognized Lockheed Martin with four awards in 2013, including for our environmental sustainability efforts. The award cited our identification of more than 1,700 energy and water conservation-related projects that collectively have the potential to avoid the equivalent of more than 201,000 metric tons of carbon dioxide emissions into the atmosphere.

From 2010 through 2013, we've REDUCED annual carbon emissions by more than 197,000 METRIC TONS of CO_2 equivalents, including Renewable Energy Credits, an amount equal to the use of:

41,000
passenger vehicles annually

22,000,000
gallons of gasoline

27,000
homes for one year

60% OF 1,500 ENERGY REDUCTION PROJECTS IDENTIFIED SINCE 2010 ARE EITHER COMPLETE OR UNDERWAY

OUTLOOK

Our outlook is informed by a two-fold strategy: Internally, we are focusing on environmental performance improvements through our Go Green program; while externally, we are evaluating technology that creates positive global impact. As we continue to drive resource efficiency in operations, we anticipate the refinement of our Go Green 2020 goals to continuous improvement commitments. This will mean a growing emphasis on efficiency in addition to absolute reductions (see table below).

We plan to build upon our product stewardship efforts, by expanding our reusable packaging and chemical sustainability programs. We'll continue to seek opportunities to eliminate and reduce hazardous chemicals in our products and operations. In addition, we continue to collaborate with our industry partners through the International Aerospace Environmental Group (IAEG) to identify and develop common standards for working with the global supply chain on chemical regulations and other environmental issues.

As the Corporation expands globally, we are adjusting our ESH programs and capabilities accordingly. We continue to advance our environmental stewardship program through strategic NGO partnerships and natural resource protection.

Water Reduction Focus

A significant portion of facilities energy use stems from heating, cooling and circulating water in operations. We pursue water conservation goals in our Go Green program through increased efficiency, on-site water reuse, and best management practices at all facilities. We seek to emphasize focus on water quality and reduction at facilities located in water-stressed regions. Using the World Business Council for Sustainable Development Global Water Tool, we completed a preliminary assessment to identify which of our facilities in the United States, Australia, Canada, Mexico, and the United Kingdom are located in water-stressed regions. The results help us prioritize future water related initiatives in geographic locations based on water supply and drought indicators. Please see our CDP Water response to learn more about the assessment results and our water conservation projects.

Waste Reduction Focus

Lockheed Martin's comprehensive approach to waste reduction includes waste-to-energy projects, recycling and reclamation programs and cafeteria composting programs. For example, the waste generated at our Camden, Arkansas, site from missile coating application, line flushing and the removal of the dried coating during depot work, has been sent for disposal to a hazardous waste incinerator. In an effort to reduce our environmental impact, implement sustainable solutions and reduce costs associated with disposal, the team targeted this process and began evaluating alternatives to traditional waste-disposal methods. The site worked to identify a vendor that could reclaim the material. As a result, last year we diverted more than 2.75 tons of hazardous waste from traditional disposal methods.

SUSTAINABILITY MANAGEMENT PLAN

These metrics, part of our Sustainability Management Plan, measure our performance through 2015 in Resource Efficiency. We will report on our progress in next year's Sustainability report.

Achieve 25% reductions in energy and water use; 35% reductions in carbon and waste to landfill by 2020	100% of enterprise managed data center consolidation project points meeting Carbon Usage Effectiveness and Power Usage Effectiveness targets
Identify and establish green IT efficiency targets	Identify and establish water reuse targets for company operations in water stressed regions
Identify and establish Green Footprint or Green Building targets for company operations	Identify and establish total waste reduction/recycling targets
Develop business case for on-site renewable energy generation within company operations by business area	

INFORMATION SECURITY

Denise Saiki, Chief Information Officer, connects information security to sustainability.

OBJECTIVE

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

OVERVIEW

Lockheed Martin and our customers increasingly rely on connectivity and digital infrastructure to support global business, increase efficiency and drive innovation. The digital age, however, has also accelerated the evolving threat of cyber disruptions and advanced the tradecraft available to adversaries. To stay ahead of adversaries, we need to protect the integrity of our employees' and customers' mission-sensitive data, and the intellectual property that supports our business operations and product innovation.

We call our approach to providing cyber security Intelligence Driven Defense®. It relies on security thought leaders, talented cyber analysts, cutting-edge technology, vigilant people and innovative processes to defend networks from the advanced threats we face. Conventional processes and approaches are insufficient in dealing with advanced threats. To be resilient, we must understand every threat and attack—its intent, capability, doctrine and patterns of operation. We use custom sensors to evaluate the threat landscape and proactively adjust defensive countermeasures and mitigation strategies. To maintain sustained competitive advantage, all of our platforms and solutions must be cyber enabled. We provide employees with tools and training to make it happen.

Core Issue Impacts to Sustainable Business Practices

- **Customer Privacy:** Our ability to protect customer data is integral to their mission success and their trust in us. We're relied upon to protect our customers from attacks.
- **Data Fraud, Sabotage, Theft:** The information we safeguard is critical to global security and commercial enterprises. The integrity of our protection is essential to protecting important assets.
- **Intellectual Property (IP) Rights:** Protecting IP maintains our capacity to innovate, generate stockholder returns and earn customer trust. With thousands of our scientists and engineers developing advanced, patented solutions, the health of our business depends on these rights.

Description:

As the U.S. government's largest provider of IT services, the security and integrity of Lockheed Martin's systems are vital, not only to our own mission, but to the national security infrastructure. We focus on providing Intelligence Driven Defense® cyber security technical services and making significant investments in people, processes and technology, including four Security Intelligence Centers in the United States, United Kingdom and Australia.

Information Security:

We're focused on risk-based solutions that prioritize threats, risks and vulnerabilities by providing robust, seamless and end-to-end defense capabilities. By using Lockheed Martin's Advanced Persistent Threat (APT), Advanced Threat Monitoring (ATM) and Cyber Kill Chain® services, our government and commercial customers are able to better recognize and prevent threats using pattern recognition and predictive analysis.

MANAGEMENT

Cyber security is one of the risks that Lockheed Martin manages as part of our overall Enterprise Risk Management Program. Our management approach includes regular reporting to the Board of Directors as well as the reporting of cyber risk indicators and operational metrics to our CEO and the Executive Leadership Team.

We must invest in people, technology, facilities, and best practices to ensure our networks—and those we manage for our customers—remain secure at all times. Within Lockheed Martin, our Corporate Information Security organization oversees the policies, processes and procedures to secure company and employee personal data from cyber threats. They work with internal partners including Ethics, Supply Chain and Security to raise employee awareness and enhance business procedures that reduce risks within business operations. We reported in our 2013 Annual Report that cyber disruptions could negatively affect our business, but also that cyber attacks directed at us have not had a material impact on our financial results.

Cyber security continues to grow in importance, as federal agencies and private companies put more emphasis on protection against cyber attacks. In serving our customers, cyber security begins with their mission and requirements and ends with security solutions that are integrated, proactive and resilient.

Our experts review customers' IT security management processes and make recommendations to enhance their capabilities and ensure effective implementation of their security policy. We build information assurance throughout the network system development and deployment lifecycle, including: planning, enterprise controls, design, development, testing, deployment and operations. Our understanding of cyber security enables us to integrate it into everything we do and every solution we develop for our public and private sector customers.

Lockheed Martin's information security systems don't just reduce risks; they provide reliable and trusted solutions. Our cyber security approach delivers integrated solutions and resilient systems for seamless, end-to-end defense of public sector information, systems and networks. We're also bringing these capabilities to large commercial firms, such as those in critical infrastructures like energy, health care, oil and gas, transportation and financial sectors. This enables companies to benefit from the same tradecraft and protection we've provided to government customers. Striving for resilient protection is why we developed Intelligence Driven Defense® cyber security technical services to detect, mitigate and effectively adapt to advanced cyber threats. Our cyber security management and solutions include:

- Cyber Kill Chain® technical consulting services, created by the Lockheed Martin Computer Incident Response Team, allow information security professionals to proactively remediate and mitigate future advanced threats.
- The Security Intelligence Center, which serves as the detection, identification, and response center for Lockheed Martin global network and is managed by our Computer Incident Response Team.
- The Wireless Cyber Security Testing Laboratory, a facility that allows defense and intelligence agencies to test and evaluate wireless systems.
- The NexGen Cyber Innovation and Technology Center, a world-class center with a cyber range for global customer and partner collaboration, testing and innovation.
- EXCITE®, a set of classes and training materials to teach advanced intelligence analysts how to provide Intelligence Driven Defense® technical support.
- The Insider Threat Detection Program that identifies and mitigates internal risks associated with the theft or misuse of intellectual property and trade secrets by individuals with access to our information systems.

"Our enterprise bears an important mission for our nation.

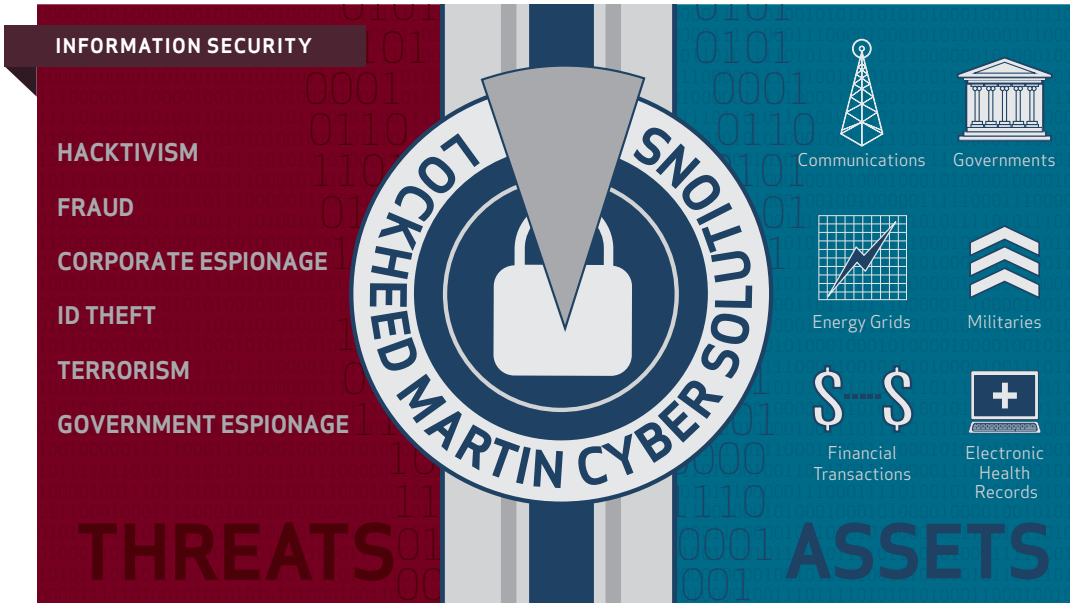
As the largest defense contractor, we are highly targeted by sophisticated adversaries and take our responsibility of protecting ourselves seriously. Corporate Information Security is keenly focused on mitigating the risks."

–JIM CONNELLY
Vice President, Corporate Information Security

Our new Cyber Center of Excellence provides customer support services and enables our employees and customers to collaborate more effectively.

New Cyber Security Hub

In 2013, we opened a new center in Anne Arundel County, Maryland, aimed at strengthening our growing cyber security business. The 56,000-square-foot Cyber Center of Excellence will provide customer support services and was designed to enable our employees and customers to collaborate more effectively.



STAKEHOLDER ENGAGEMENT

U.S. Department of Commerce Cyber Security Trade Mission

In 2013, we joined a cyber security and critical infrastructure protection trade mission to Saudi Arabia and Kuwait headed by U.S. Under Secretary of Commerce for International Trade, Francisco Sánchez. By introducing U.S. firms to high-level government officials and potential partners in the Middle Eastern market, the trade mission advanced President Obama's National Export Initiative, which aims to double U.S. exports by the end of 2014.

International Workshop on Global Security

Through the World Economic Forum Partnership for Cyber Resilience, Haden Land, Vice President, Research and Technology, Information Systems & Global Solutions, took part in the 30th International Workshop on Global Security. Defense ministers, generals, ambassadors, NATO and EU officials, and industry chief executives from 25 countries participated in the meeting, where Land presented on "Cyber Space: Addressing the Tactical and Influencing the Future." He outlined global security trends and the challenges of global cyber metrics, focusing on evolving adversaries and threat vectors, as well as innovations and best practices in cyberspace.

Global Cyber Risk Analysis

We initiated research with the University of Cambridge (UK) Centre for Risk Studies to develop a more rigorous framework for the evaluation of cyber catastrophic risk. The framework provides a method of accessing the likelihood of future loss from cyber attacks for use in risk analysis. The research will apply a macroeconomic model to better understand the vulnerability scale of a cyber catastrophe for difference sectors of the economy. We plan to complete the study in 2014.

Cyber Security Research Alliance

We facilitated membership expansion in a leading industry collaboration—the Cyber Security Research Alliance—with more than 20 companies to assist government, industry and academia to develop breakthrough technologies in cyber physical security.

Cyber Security Workshop for Girls

More than 350 middle school girls solved cyber crime cases at a workshop sponsored by Lockheed Martin in partnership with the Maryland Cyber Security Center and the National CyberWatch Center. At this University of Maryland annual workshop, Information Systems & Global Solutions team members encouraged girls to pursue careers in science, technology, engineering and mathematics (STEM) and consider a future in the cyber security profession. The students collaborated as cyber security identity theft investigators and solved cases by assembling a computer and using steganography, cryptography, penetration testing and cell phone forensics.

Lockheed Martin engineers volunteered at a cyber security workshop for girls. STEM events help build our future pipeline of technical talent.

Cyber Security Mentoring

Mentors at Information Systems & Global Solutions are inspiring young people to consider careers in cyber security and STEM fields as part of the new LifeJourney program. This web-based, interactive classroom experience, launched at the 2013 Cyber Maryland Conference in Baltimore, allows students at participating schools to learn about such careers from America's industry leaders. Students are exposed to 100 different STEM and cyber security "LifeJourneys" during the career simulation exercise. Lockheed Martin employees, such as data scientists and cyber architects, are among those giving students a sneak peek at their jobs so they can understand the opportunities as well as the skills necessary to enter these professions. They also receive detailed reports on the skills needed to achieve their goals.

PERFORMANCE

Product Standards for Data Management

The cyber ecosystem is complex. It is therefore imperative that we adhere to technical and procedural standards that support effective response to the evolving threat landscape. Lockheed Martin follows a structured but agile approach to data management planning; requirements definitions; systems architecture and design; systems development and integration; verification and validation; and the deployment and maintenance of secure solutions.

This integration of people, processes and technologies enables us to achieve a positive return on investments, perform sustainably, and continually improve our capabilities and defenses. We partner with customers to define requirements and continue to engage through deployment and sustainment of our systems and solutions. By combining quality standards such as CMMI, ISO 9001, IEEE, and NIST with cutting-edge technology and a highly skilled and experienced workforce, we ensure our solutions can continually address the most-advanced persistent threats. We are already using aspects of a new voluntary framework recently lauded by President Obama to strengthen the security and resiliency of critical infrastructure.

Supply Chain Cyber Security

Even as we continually evolve our leading cyber security practices, perpetrators of cyber threats continue to adapt and expand their tactics, including attacks on our suppliers. Since many of these are small businesses, their ability to address complex threats varies. To build capacity and security across our extensive global supply chain, we've developed a three-pronged approach that increases mutual understanding of supply chain cyber security, builds supplier awareness and appropriately prevents and addresses cyber threats.

In 2013, we also began requiring all suppliers to provide two-factor authentication to access any Lockheed Martin systems. Such measures support secure exchange of sensitive information with our suppliers, with whom we share the responsibility to protect our customers' critical information and mission integrity.

> "The whole premise to our approach to cyber security is to be able to gather intelligence around adversaries, their tactics and techniques, and then use that intelligence so it's actionable."
>
> —CHANDRA McMAHON, Vice President, Commercial Markets, Information Systems & Global Solutions

"At Lockheed Martin, everything we do, every program we manage, has a cyber-thread running through it.

Based on expertise we glean from defending our own networks, our cyber solutions maximize the ability for any sector—defense, energy, education, or health care—to detect and respond to evolving cyber threats."

—CLIFF SPIER, Vice President, Information Systems & Global Solutions

Securing the Cloud

Cloud computing is a sustainable technology that reduces energy needs and increases our customers' ability to execute missions successfully in today's constrained budget environment. Our Solutions as a Service (SolaS®) cloud computing technology provides customers with flexible, mission-focused, secure, and cost-efficient platforms, infrastructure and software. Our commitment to the highest standards of security has resulted in our receiving approval in 2013 from the Federal Risk and Authorization Management Program (FedRAMP) to provide secure community cloud services to federal, state and local agencies. FedRAMP's standardized approach to cloud security assessments, authorization and monitoring enables our customers to quickly adopt the most secure new IT capabilities while saving the government money, time and staff by eliminating the need for redundant agency security assessments.

Global Collaboration on Cyber Security

Lockheed Martin International is developing partnerships with cyber and information security professionals throughout the world. The cyber protection of critical infrastructure, both defense and civil, is a key element of sustaining global security and Lockheed Martin's strategy for a sustainable future. Collaborative cyber projects such as the LM-EMC partnership in Israel allow us to combine the capabilities of Lockheed Martin's Cyber Range with the commercial space to provide enhanced cyber protection for governments and consumers.

Privacy Professionals Develop Innovative Training

Privacy at Lockheed Martin is all about building trust with our customers, employees, partners, and vendors by ensuring that collected personal information is safe and used appropriately.

In 2013, our privacy program partnered with the International Association of Privacy Professionals (IAPP) to develop tools and training to raise the preparedness level for protecting such sensitive data, both within and beyond Lockheed Martin. The resulting Certified Information Privacy Manager (CIPM) certification for privacy professionals goes beyond a foundational knowledge of privacy laws, regulations, and standards to include training on how to manage privacy through process and technology.

According to IAPP Chief Executive Trevor Hughes, "Lockheed Martin's partnership was crucial to the development of this program. Privacy will be better managed around the world as a result of their efforts."

Securing the Skies

Information Systems & Global Solutions' Automated Flight Service Station (AFSS) contract provides the Federal Aviation Administration (FAA) with flight planning and online flight services. AFSS modernized general flight planning services by enabling pilots to file and close fight plans with online flight services, receive text, email and satellite alerts regarding dangerous conditions, and activate precise life-saving search and rescue tracking capabilities.

Due to the nature of an externally facing user interface, the AFSS team recognizes that information security is of the utmost importance, an ongoing concern, and a significant risk that would manifest if the appropriate and proactive information security practices were not properly implemented and frequently tested.

The AFSS team partners with the IS&GS NexGen information security team to continuously attempt to infiltrate the system in order to ascertain its strength. The team combines specialist and overall expertise with user-friendly technology to enhance safety not only for general aviation pilots, but for all users of the national airspace. As a result, the team is able to recommend and implement updated preventive and detection measures to ensure that the environment is secure; protect customer data and information; prevent data fraud, sabotage and theft; and to provide for the overall integrity, confidentiality and availability of data.

OUTLOOK

As threats become ever more advanced and persistent, our security measures continually evolve to maximize protection and minimize data-loss incidents. We study the activity of adversaries to improve our defenses and strengthen our detection capabilities. We train our employees and suppliers to be aware of suspicious behavior, and we take steps to trace and reduce the impact and incidence of security behaviors that could negatively impact our security posture.

As the sensitivity and volume of data transmitted across cyberspace increase, so must our efforts to protect the interests of citizens, businesses and governments across the globe. Information security is of paramount importance to global security, and is increasingly acknowledged by senior government leaders in our core markets as a foundational requirement for sustainable infrastructure and development.

Our Intelligence Driven Defense® cyber security technical consulting services allow us to comprehensively defend our systems and networks from the variety of cyber threats we face. In addition, by strengthening our internal security practices and our cyber security products and services, we're enabling the evolution and proliferation of major advances in mobility, cloud computing and analytics.

"Traditional cyber defense is like a football team running the same defensive play over and over—regardless of what the offense is doing. Intelligence driven security works like a defensive squad that scouts its opponents, knows its playbook and can make mid-game adjustments."

—DR. ROHAN AMIN, Director, Global Cyber and Security Solutions

Learn how Lockheed Martin cyber intelligence is helping keep governments and commercial enterprises ahead of the threat of cyber adversaries.

SUSTAINABILITY MANAGEMENT PLAN

A set of information security measures that cover intellectual property rights and protection; data fraud, sabotage and theft; customer privacy; and address insider and outsider threats, both digital and human; are tracked and reported internally. However, for security reasons we do not publicly disclose performance on these measures.

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 retain personnel and suppliers with technical and other skills; (viii) the success of technologically developed solutions; (ix) the willingness of suppliers to adopt and comply with our programs; and (x) global economic, business, political and climate conditions.

These are only some of the factors that may affect the forward-looking statements contained in this report. For further information regarding risks and uncertainties associated with our business, please refer to our U.S. Securities and Exchange Commission filings including our Annual Report on Form 10-K for the year ended Dec. 31, 2013 and our 2014 Quarterly Reports on Form 10-Q which may be obtained at the Corporation's website http://www.lockheedmartin.com/investor.

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www.lockheedmartin.com/sustainability

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