

# Progress Continues

## Updates on sustainability topics beyond our core issues

April 2020

This document provides a summary of key topics that are not among the five core issues featured in our sustainability reporting and time-bound goals. These topics remain of interest to certain of our stakeholders, based on our formal assessment of environmental, social and governance issues.

### COVID-19

- **Issue Summary:** The rapid spread of COVID-19 and its wide-ranging impacts have caused severe disruption across society and around the world. The COVID-19 pandemic is affecting us all – at work, at home, and in our communities and personal lives.
- **Our Position:** Our company is dedicated to keeping our stakeholders informed about our efforts in response to this global challenge. First, we are committed to the health and safety of our workforce. Second, we will focus on maintaining operations so we can meet our customers’ needs. Third, we are resolved to use our company’s strength and influence to find other ways to support our nation and our allies during this period of crisis.
- **Our Action:** From early on in the crisis, employees received a steady stream of information and seen examples of how we are responding with speed and agility to protect our Lockheed Martin team. We will continue to update our employees through these regular communications and through your leadership.

The Departments of Defense and Homeland Security both designated our sector as critical infrastructure with a special responsibility to continue operations. In this time of national need and global uncertainty, Lockheed Martin will remain open and operational, and we will continue to perform and deliver on our mission-critical commitments to ensure safety and security.

We recognize that there are areas where we can provide key capabilities, financial resources, and support beyond the essential work we do every day. We are actively engaged with federal, state, and local officials to provide input and support. In response to the government’s call for assistance, Lockheed Martin is moving swiftly to identify ways we can help beyond our mission-critical work.

#### To further support our workforce:

- We are extending awards of up to \$500 to our employees who are regularly required to work at, or travel to, a designated Lockheed Martin facility or customer site during this crisis.

- We are now covering all out-of-pocket expenses for testing, treatment, and services related to COVID-19 for all U.S. employees and their family members who are currently enrolled in a Lockheed Martin health plan.
- Finally, to continue to reduce risk and to protect people at our operating sites, we are maintaining our guidance that everyone who can work remotely should reach out to coordinate with their leadership to do so. If you are currently working remotely, we ask that you follow this guidance until you hear otherwise from your leadership.

To help our customers, partners, and our communities:

- To continue supporting the small businesses and suppliers that power our U.S. defense industrial base and enable our ongoing production, as of April 21, 2020, we are accelerating payments of over \$150 million to our small and medium-sized supply chain partners, and paying the first \$50 million of an additional \$450 million in accelerated payments to our global supply base.
  - To support our first responders and health care workers on the front lines of this crisis, we are committing to donate \$2 million to rapidly procure urgently needed personal protective equipment (PPE).
  - In addition, we have donated PPE for immediate need at local hospitals and have also initiated limited PPE (face shields) and medical device production. We are also providing engineering support for select initiatives to accelerate PPE production.
  - Providing jobs during this period of economic downturn is critically important. So, we are committed to continuing our hiring during this crisis. We've welcomed approximately 1,000 new employees over the past two weeks. We've advertised externally for 5,000 open positions. And we have more than 12,000 positions open to internal Lockheed Martin candidates.
- We continue to do all we can to deliver for our customers in the midst of these extraordinary challenges while staying safe, and taking care of ourselves and our families, as we do our part in helping our nation through this unprecedented crisis.

### **Waste and Recycling**

- **Issue Summary:** Data on waste generation and disposal practices indicates how an organization manages environmental impacts and potential improvements in process efficiency and productivity.
- **Our Position:** Lockheed Martin implements a comprehensive total waste reduction strategy that focuses on minimizing the amount of waste our facilities generate and ensures that the waste generated at our facilities is properly handled according to local, state and national regulations. To do this, we consider packaging from our supply chain, reuse and repurposing of materials, and focused employee engagement to promote waste stewardship. We also practice responsible electronic-waste (e-waste) management practices, which reduce potential damage to natural infrastructure by lessening water, land, and air pollution resulting from the disposition of e-waste. Our waste reduction

strategy includes improving our internal processes, educating employees, and developing educational outreach materials on this topic. Management of waste and recycling are key topics tracked through our GoGreen 2020 efforts. We seek to reduce total waste generated by 7 percent between 2014 and 2020. We monitor recycling rates at owned and company-operated facilities for a variety of waste streams, including compostable goods, paper, packaging, electronics and precious metals. In addition to stewardship of these waste streams, we also promote responsible waste management practices by holding e-waste recycling events at select facilities for employees' personal electronics.

- **Our Actions:** In 2019, we reduced our waste by 12%. We also sponsored five employee electronic waste (e-waste) events where employees recycled approximately 18 tons of electronic waste. This process did not include recycling Lockheed Martin-owned assets. The 2019 employee electronic waste included participating sites in Lakeland, FL; Ocala, FL; Owego, NY; Palmdale, CA; and Valley Forge, PA. We also held a pilot household hazardous waste collection event in Owego, NY that brought in over 1.5 tons of household waste.

### Executive Compensation

- **Issue Summary:** Executive compensation is a factor that investors evaluate when determining a company's long-term viability. Executives who are improperly compensated, either overpaid or underpaid, may not be incentivized to perform in the best interest of shareholders. Compensation programs should be designed to attract and retain critical executive talent, to motivate behaviors that align with stockholders' interest, and to pay for performance.
- **Our Position:** The Management Development and Compensation Committee of the Board of Directors seeks input from our CEO and other members of our management team as well as input and advice from the independent compensation consultant to ensure the corporation's compensation philosophy and all information relevant to individual compensation decisions are taken into account.
- **Our Action:** Our [2020 Proxy Statement](#) reports on executive compensation. At our 2019 Annual Meeting, more than 93% of the votes cast by our stockholders approved our Say-on-Pay proposal. We meet with our key investors throughout the year to understand the issues that matter most to them as it relates to executive compensation. We considered the input of our stockholders and emerging best practices in adopting our executive pay programs. During 2019, we had more than 30 engagements by telephone conference or written correspondence with our largest institutional investors and other significant stockholders. Most investors with whom we met reacted positively to our pay governance and executive compensation programs.

### Corporate Lobbying Against Climate Change

- **Issue Summary:** Stakeholders seek disclosure to identify an organization's support for climate solutions and the extent to which an organization's lobbying and

corporate memberships are in line with its stated policies, goals, or other public positions.

- **Our Position:** Lockheed Martin, and its Board, recognize the importance of monitoring lobbying-related activity carefully. Lockheed Martin’s public policy engagement activities are consistent with our corporate values and sustainability objectives and align with the goals and operations of our customers. We are a member of a wide range of trade associations, some of which have a narrow focus and others which represent a wide range of public policy issues. Our participation in any trade association is designed to advance specific business goals, and participation is typically limited to those subject matters related to those business goals. Membership is not intended to reflect support for any trade association’s positions, nor do such positions necessarily represent a unanimous view of its membership. Lockheed Martin shares readily the strategy of its Sustainability Program with the corporate and government communities here and abroad, through participating in sustainability dialogues, hosting sustainability roundtables, and demonstrating its business value throughout.
- **Our Action:** Lockheed Martin, and its Board, have long recognized the business risks presented by climate change. Managing these risks is a key element in our award-winning Sustainability Program, which includes a commitment to achieve our third generation of “Go Green” goals, such as carbon and energy reductions of 35% and 25%, respectively, by 2020 based on a 2010 baseline. Since 2007, we’ve reduced carbon emissions by more than 45%. Plotting our scope 1 and 2 carbon emissions reduction for 2015 to present using the SBTi economic model (MTCO<sub>2e</sub> per Gross Profit), our performance exceeds that model by more than 30%. This achievement is in line with the latest climate science recommendation to meet the goals of the Paris Agreement—to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. Our commitment to addressing business-related climate change risks while delivering shareholder value is best illustrated by our actions and the associated recognition we have received. This year, we published our ninth annual Sustainability Report, received an A- CDP Climate Change score, earned a ranking on the Dow Jones Sustainability World Index for the sixth year in a row, and received the EPA’s Energy Star Partner of the Year Award, an award representing organizations that have made outstanding contributions to protecting the environment through superior energy efficiency. Our corporate policy, CPS-004 Political Activity, prohibits contributions of any type to non-U.S. candidates, parties or political committees. Our [Political Disclosures webpage](#) discloses contributions, associations, employee political action committee and lobbying activities.

### **Gender Pay Equity**

- **Issue Summary:** Gender pay equity refers to paying employees fairly and consistently, without discrimination on the basis of gender but taking into account job-related factors such as education, performance, work experience and tenure.

- **Our Position:** Diversity and inclusion are the foundation of our culture, and reflect our core values of doing what's right, respecting others and performing with excellence. By leveraging our employees' unique talents and experiences, we deliver innovative, affordable solutions and unparalleled customer value. Lockheed Martin is an equal opportunity employer and government contractor. Within the U.S., most Lockheed Martin prime contracts with the U.S. Government contain [Federal Acquisition Regulation \(FAR\) clause 52.222-26 Equal Opportunity Equal Opportunity](#). Lockheed Martin will continue to review, reassess, and further develop its diversity and inclusion and pay policies, not only to ensure compliance with the law but also to ensure that we fulfill our core values. In addition, Lockheed Martin will actively monitor and consider any best practice that it can adopt to enhance its developing policies and procedures.
- **Our Action:** As a federal contractor the Corporation conducts an annual pay review to evaluate pay for all employees regardless of race or gender. We also published the [Lockheed Martin UK Gender Pay Gap 2019 Report](#). Additionally, we publish a [Diversity and Inclusion Annual Report](#) which further describes how we build a safe and inclusive work environment that is able to attract, develop and retain a diverse workforce that has the opportunity to showcase and develop their skills and abilities and in which everyone is treated fairly, with the highest standards of professionalism and ethical conduct.