

DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

FINAL ASSESSMENT

LOCKHEED MARTIN

The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	8/8
2. Internal Controls	6	11/12
3. Support to Employees	7	13/14
4. Conflict of Interest	4	7/8
5. Customer Engagement	7	9/14
6. Supply Chain Management	5	7/10
7. Agents, Intermediaries and Joint Ventures	10	11/20
8. Offsets	4	3/8
9. High Risk Markets	4	6/8
10. State-Owned Enterprises	0	N/A
TOTAL		75/102
BAND		B

*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.

1. Leadership and Organisational Culture

Question
1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?
Score
2
Comments
<p>The company has a publicly stated anti-bribery and corruption commitment, which details the company's stance against any form of corruption within the organisation. It is clear that this commitment was authorised and endorsed by the company's leadership.</p>
Evidence
<p>[1] Code of Ethics and Business Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf [p.ii] A Message from our Chairman, President and Chief Executive Officer</p> <p>Hello, Team.</p> <p>Our core values, to "Do What's Right," "Respect Others," and "Perform with Excellence," are fundamental to who we are and how we operate as a corporation.</p> <p>They not only define us, they are the key to our future – building bridges of trust with customers and colleagues.</p> <p>That is why at Lockheed Martin, we encourage every employee to read and understand "Setting the Standard," our Code of Ethics and Business Conduct.</p> <p>Our Code not only sets clear ethical standards in critical areas, it also explains how we should conduct ourselves when acting on behalf of the company. For instance, our Code makes it clear that Lockheed Martin has zero tolerance for corruption, and we encourage employees to step forward and speak up whenever they suspect actions or behavior inconsistent with our values and expectations.</p> <p>In addition to "Setting the Standard," we are proud to offer other ethics resources at Lockheed Martin. If you have ethics questions, I encourage you to contact your manager, Ethics Officer or Human Resources Business Partner.</p> <p>Thank you for your efforts to understand and uphold the high standards that make Lockheed Martin a special place to work.</p> <p>Together, we can ensure that ethics and integrity are never compromised at our corporation.</p> <p>Marillyn A. Hewson</p> <p>[37] 2018 Sustainability Report Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/Lockheed_Martin_Sustainability_Report_Full_2018.pdf?_ga=2.52021929.1889726572.1569701320-89358915.1569486386 [p.19] Every day, we empower our employees with knowledge and resources to report all known or suspected violations of our anticorruption policy, including:</p> <ul style="list-style-type: none"> Setting the Standard, our interactive Code of Ethics and Business Conduct, which opens with a video of our Chairman, President and CEO Marillyn Hewson outlining the importance of the Code and upholding our core values of doing what's right, respecting others and performing with excellence.

Question
1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories: a) All employees, including staff and leadership of subsidiaries and other controlled entities; b) All board members, including non-executive directors.
Score
2
Comments
<p>The company publishes an explicit anti-bribery and corruption policy, which makes specific reference to the prohibition of bribery, payments to public officials, commercial bribery, and facilitation payments. This policy clearly applies to all employees and board members, regardless of their seniority, as well as the staff and leadership of subsidiaries and other controlled entities.</p>
Evidence
<p>[1] Code of Ethics and Business Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf</p> <p>[p.2] WE SET THE STANDARD</p> <ul style="list-style-type: none"> Our Code applies to all Lockheed Martin employees, members of the Board of Directors, consultants, contract laborers and other agents when they represent or act for the Corporation.* <p>[p.28] We conduct international business with integrity</p> <p>WE SET THE STANDARD</p> <ul style="list-style-type: none"> We have zero tolerance for corruption. We adhere to all applicable export and import regulations. We do not engage in or support restrictive international trade practices or boycotts not sanctioned by the U.S. government. We comply with both the U.S. law and the laws of the countries where we do business (unless in conflict with U.S. law). When you encounter a conflict with U.S. law, you are required to address this conflict with your Element Legal Counsel. <p>WHY WE DO IT</p> <ul style="list-style-type: none"> Our high standards of ethical business conduct are a key component of our business integrity strategy that enables us to build customer relationships and win programs around the world. Bribes, export and import violations, and illegal boycotts damage the trust and transparency needed to transact legitimate and long-term business. Corruption creates unfair competition, increases cost and jeopardizes the quality and capability of our products and services. Non-compliance can result in potential personal and corporate debarment, incarceration and monetary penalties, as well as irreparable reputational harm to our business. <p>Anti-Corruption</p> <p>You must strictly comply with the anti-corruption laws that govern our operations in the countries where we do business. These laws include the U.S. Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act and similar laws in other countries.</p>

[p.29] What do these laws do?

- Prohibit direct or indirect bribery of U.S. and international government officials, political parties, party officials, or candidates for public office or employees of commercial organizations to obtain or retain business or an improper business advantage.
- Prohibit knowingly falsifying books and records or knowingly circumventing or failing to implement adequate internal accounting controls, which could facilitate or conceal bribery.

Our policy prohibits offering or making improper payments of money or anything of value. The policy applies to anyone conducting business on behalf of Lockheed Martin. This includes Lockheed Martin directors, officers, employees, consultants, representatives, distributors, offset brokers, suppliers, wholly owned subsidiaries and other business partners.

Our policy specifically prohibits facilitating payments. Facilitating payments include payments made to expedite or secure performance of a routine governmental action like obtaining a visa or customs clearance.

[2] Compliance with Anti-Corruption Laws

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf>

[p.1] 1.2 Lockheed Martin will not engage in, or otherwise tolerate, any form of bribery or corruption in its business dealings.

[p.2] 2.0 Applicability

2.1 This policy applies to all officers, members of the Board of Directors, and employees of the Corporation and its subsidiaries within and outside the U.S., and, by written agreement, all appropriate provisions apply to any domestic or international representative, distributor, reseller, consultant, broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation or its subsidiaries (each a "Covered Person", as defined in this policy).

2.2 With respect to other entities that Lockheed Martin owns or controls, Lockheed Martin will ensure that such entities have adopted this or a similar anti-corruption compliance policy.

2.3 With respect to entities where Lockheed Martin holds a non-controlling ownership interest, Lockheed Martin will use best efforts to ensure that such entities adopt and maintain appropriate controls and take steps necessary to comply with applicable anti-corruption laws.

3.0 Definitions

[...]

Bribe/Bribery – Directly or indirectly paying, promising, giving, offering, or authorizing to give anything of value to anyone for the purpose of influencing that person to misuse his or her position. The thing of value can be of any kind (e.g., gift, travel, entertainment, payment) and is not subject to any minimum amount or threshold of value. In addition, it is not necessary that the corrupt act succeed or that the person to whom the payment, offer, or promise is made actually accepts or receives the bribe.

[...]

Covered person - Any officers, members of the Board of Directors, or employees of Lockheed Martin Corporation and its subsidiaries within and outside the U.S., and by written agreement

[p.3] any domestic or international representative, distributor, reseller, consultant, broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation or its subsidiaries.

[p.5] In addition to potential criminal or civil penalties, violations of anti-corruption laws or this policy by any Covered Person will result in disciplinary action up to and including termination of employment or contract.

[p.7] General Prohibition

8.1 Unless permitted by this policy, CPS-008, Gifts, Hospitality, Other Business Courtesies, and Sponsorships, or CPS-716, Compliance with the Anti-Kickback Act of 1986, no offer, payment, promise to pay, or authorization to pay or provide anything of value, directly or indirectly, will be made to any public official, commercial relation, or any other person, while knowing or being aware of a high probability that all or a portion of such thing of value will be offered, given, or promised to a public official or a commercial relation.

8.2 These prohibitions apply whether or not the thing of value is derived from the Corporation's funds or resources or from a Covered Person's personal funds or resources.

8.3 A Covered Person may not solicit, accept, or receive anything of value, directly or indirectly, from any public official, commercial relation, or any other person or entity where acceptance may constitute or is likely to create the appearance of a bribe or kickback.

[p.8] 8.9 Facilitating payments (also known as "expediting payments" or "grease payments") are strictly prohibited by Lockheed Martin. Facilitating payments are payments that are generally low in value and made to a public official to expedite routine, non-discretionary government acts that the official is required to perform and over which the official has no discretion (e.g., permits, licenses, goods inspections, customs clearances, and visa processing). For purposes of this provision, legally mandated fees payable directly to governmental agencies for expedited administrative services are not considered prohibited facilitating payments if such fees are established in an open and transparent manner and if a proper receipt is provided.

8.10 The Corporation prohibits facilitating payments made on its behalf or on behalf of its controlled entities and will not make reimbursements for facilitating payments except when authorized as described in 8.11.

8.11 In the rare instance that an exception to this prohibition may be deemed necessary, it requires advance written approval from element Legal Counsel with the concurrence of the respective BAAC or Lockheed Martin International Associate General Counsel, supported by

[p.9] analysis of the facts and circumstances and applicable anti-corruption laws, and accurate accounting for any approved facilitating payment in the books and records of the Corporation and its subsidiaries as a clearly identified "facilitating payment." The BAAC or Lockheed Martin International Associate General Counsel will consult with the Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts for final concurrence.

[5] Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf>

[p.1] 1.3 We will communicate our standards of ethical conduct to our employees, agents, consultants, members of the Lockheed Martin Board of Directors, and others who represent or act for us, and will hold them accountable for their conduct.

[p.2] 2.0 Applicability

2.1 The Lockheed Martin ethics and business conduct program applies to all Lockheed Martin elements (as defined in CRX-003, Policies and Procedures), employees, the Board of Directors, and others who represent or act for us. The program is implemented through this policy, which applies to all elements and employees, and the Code, which applies to all elements, employees, the Board of Directors, and others who represent or act for us.

2.2 With respect to subsidiaries that are wholly owned or controlled by Lockheed Martin, the Responsible Organization (as defined in CRX-007, Wholly Owned Subsidiaries) will ensure that such entities have adopted, in substantial part, the Lockheed Martin ethics and business conduct program appropriate to the subsidiary's size and risk.

2.3 With respect to entities that Lockheed Martin neither wholly owns nor controls, but in which Lockheed Martin owns a substantial interest, Lockheed Martin will communicate an expectation that the entity will adopt an ethics and business conduct program consistent with the Lockheed Martin Supplier Code of Conduct. Lockheed Martin recognizes the DII Supplier Code of Conduct as equivalent to the Lockheed Martin Supplier Code of Conduct.

[35] Corporate Governance Guidelines

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/leadership/Corporate-Governance-Guidelines.pdf>

[p.6] 15. Code of Ethics

The Corporation's Code of Ethics and Business Conduct (<http://www.lockheedmartin.com/investor>) applies to members of the Board, as well as the Corporation's employees, agents, consultants, contract labor, and others, when they are representing or acting for the Corporation.

Question
1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?
Score
2
Comments
<p>There is evidence that a board committee – the Nominating and Corporate Governance Committee – is ultimately responsible for the oversight of the company's anti-bribery and corruption programme. The committee receives reports from the Senior Vice President Internal Audit, Ethics & Sustainability regarding the company's ethics and business conduct programme. In addition, as part of the company's anti-corruption policies, the Senior Vice President, Ethics and Enterprise Assurance reports significant audit matters to the Audit Committee of the board.</p>
Evidence
<p>[5] Ethics and Business Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf</p> <p>[p.3] 3.4 The Senior Vice President Internal Audit, Ethics & Sustainability manages the ethics and business conduct program, reporting directly to the Chairman, President and Chief Executive Officer and the Nominating and Corporate Governance Committee of the Board of Directors.</p> <p>3.5 Each business area Executive Vice President will establish and maintain an ethics and business conduct program in accordance with this policy. The business area Executive Vice President and the corporate Senior Vice President Internal Audit, Ethics & Sustainability will appoint the business area's Ethics Director. Each business area Ethics Director will ensure that Ethics Officers are assigned as needed to provide full coverage of the business area.</p> <p>[...]</p> <p>3.7 Each business area will establish steering committee(s) to oversee its ethics and business conduct program. The steering committee(s) will be chaired by the relevant senior executive and will include as members, at a minimum, the senior representatives of the following functions. An alternative makeup for any steering committee may be submitted for the approval of the corporate Senior Vice President Internal Audit, Ethics & Sustainability.</p> <ul style="list-style-type: none"> • Ethics • Finance and Business Operations • Communications • Legal • Human Resources • Strategy and Business Development. <p>3.8 Steering committees established under 3.7 will review metrics on investigations and requests for guidance, trends, and employee survey results; corporate ethics and compliance training; assessments of ethics program performance, including results of ethics program assessments and employee surveys; and ethics and compliance communications. The committees will develop appropriate action plans and may refer matters to the corporate Senior Vice President Internal Audit, Ethics & Sustainability who will refer matters to the Lockheed Martin Executive Leadership Team for consideration as appropriate.</p> <p>[p.6] Responsibilities</p> <p>Senior Vice President Internal Audit, Ethics & Sustainability</p> <p>-5.9 Design, develop, and manage the ethics and business conduct program, with guidance and support from the Lockheed Martin Executive Leadership Team, business area senior executives,</p> <p>[p.7] ethics and business conduct steering committees, Ethics Directors, Ethics Officers, and other leaders as appropriate.</p>

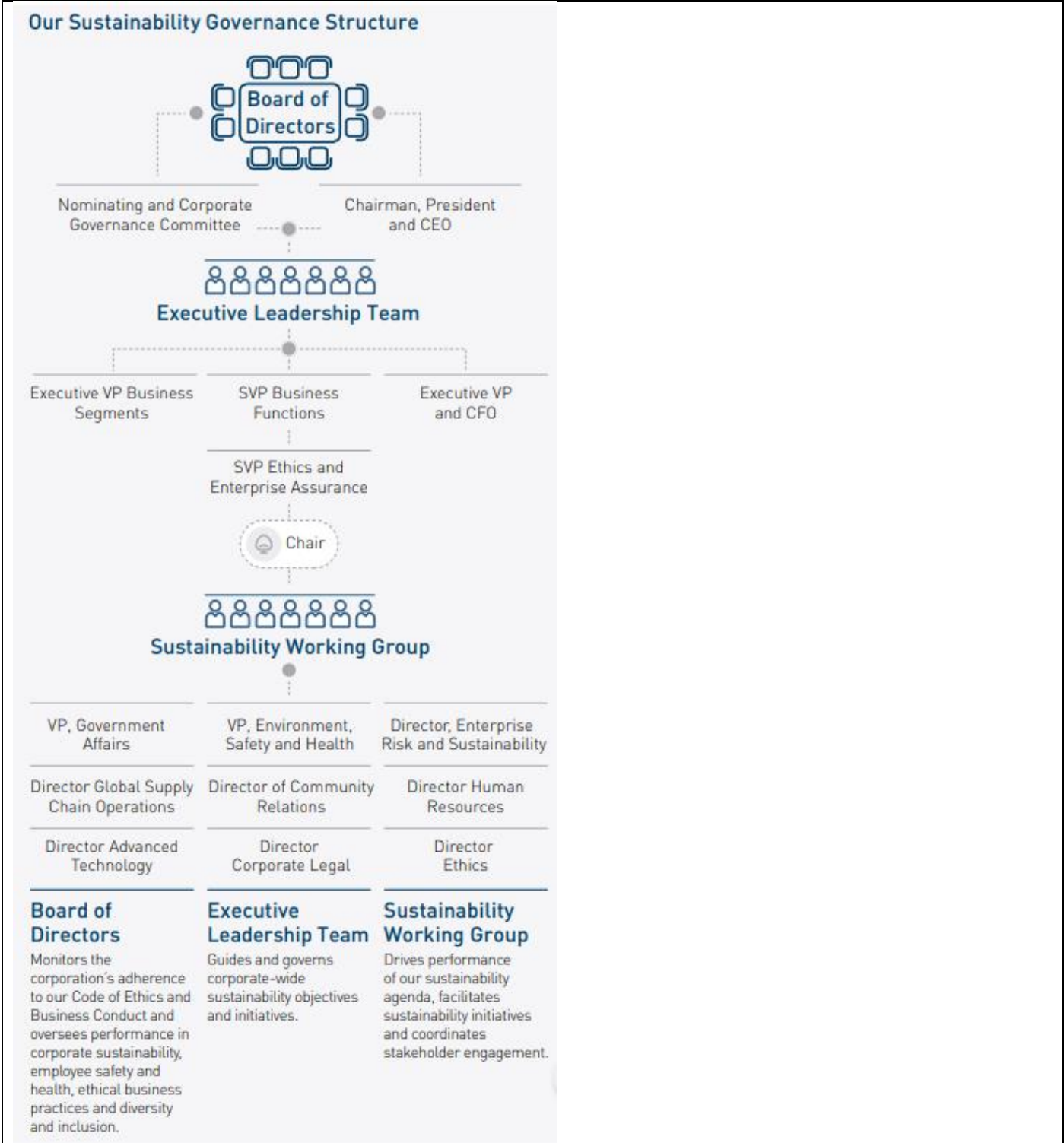
5.10 Provide program status to the Nominating and Corporate Governance Committee of the Board of Directors when required.

[37] 2018 Sustainability Report

Accessed 28/09/2019

https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/Lockheed_Martin_Sustainability_Report_Full_2018.pdf?_ga=2.52021929.1889726572.1569701320-89358915.1569486386

[p.11] Lockheed Martin's formal sustainability governance structure is made up of our Board of Directors, executive leadership team and key functional leaders responsible for sustainability initiatives. Our lead sustainability executive is the Senior Vice President (SVP) Ethics and Enterprise Assurance (EEA) who oversees ethics; enterprise risk; environment, safety and health; internal audit; and sustainability. He also sits on the corporate venture capital investments committee.



[15] How the Ethics Process Works

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/how-ethics-process-works.pdf>

[p.1] The Senior Vice President Ethics and Enterprise Assurance, is an elected officer of the Corporation, reporting directly to the Chief Executive Office and to the Nominating and Corporate Governance Committee of the Board of Directors.

[27] Other Policies Related to Anti-Corruption

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf>

[p.2] CPS-013, Total Audit Program, describes Lockheed Martin's comprehensive Internal Audit function that evaluates risk exposures and internal controls relating to finance, governance, operations, and information technology. The policy states that the Senior Vice President, Ethics and Enterprise Assurance, reports significant audit matters to the Audit Committee of the Board of Directors. The policy states that when a Corporate Internal Audit report identifies an area of non-compliance with Corporate policy, a responsible individual is assigned, will prepare a corrective action plan for remediating the issues cited and their root cause, and will provide oversight to prevent their recurrence.

Question
1.4. Is responsibility for implementing and managing the company's anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company's programme?
Score
2
Comments
<p>There is evidence that a senior executive, the Senior Vice President Ethics and Enterprise Assurance, has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. This position has a direct reporting line to the Chairman, President and CEO, executive leadership team and the Nominating and Corporate Governance Committee and Audit Committee of the board. The Senior Vice President Ethics and Enterprise Assurance provides frequent summary reports on the company's ethics programme to board members and responds to their feedback.</p>
Evidence
<p>[5] Ethics and Business Conduct Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf [p.2] 3.4 The corporate Vice President Ethics and Business Conduct manages the ethics and business conduct program and reports to the Senior Vice President Ethics and Enterprise Assurance who oversees the ethics and business conduct program, reporting directly to the Chairman, President</p> <p>[p.3] and Chief Executive Officer and the Nominating and Corporate Governance Committee of the Board of Directors.</p> <p>3.5 Each business area Executive Vice President will establish and maintain an ethics and business conduct program in accordance with this policy. The business area Executive Vice President and the corporate Senior Vice President Internal Audit, Ethics & Sustainability will appoint the business area's Ethics Director. Each business area Ethics Director will ensure that Ethics Officers are assigned as needed to provide full coverage of the business area.</p> <p><u>Lockheed Martin Executive Leadership Team and Ethics and Business Conduct Steering Committees</u></p> <p>3.6 The Lockheed Martin Executive Leadership Team guides the ethics and business conduct program, supporting the Lockheed Martin Strategic Plan by enabling the business areas to create a working environment where it is universally recognized that good ethics is good business.</p> <p>3.7 Each business area will establish steering committee(s) to oversee its ethics and business conduct program. The steering committee(s) will be chaired by the relevant senior executive and will include as members, at a minimum, the senior representatives of the following functions. An alternative makeup for any steering committee may be submitted for the approval of the corporate Senior Vice President Internal Audit, Ethics & Sustainability.</p> <ul style="list-style-type: none"> • Ethics • Finance and Business Operations • Communications • Legal • Human Resources • Strategy and Business Development. <p>3.8 Steering committees established under 3.7 will review metrics on investigations and requests for guidance, trends, and employee survey results; corporate ethics and compliance training; assessments of ethics program performance, including results of ethics program assessments and employee surveys; and ethics and compliance communications. The committees will develop appropriate action plans and may refer matters to the corporate Senior Vice President Internal Audit, Ethics & Sustainability who will refer matters to the Lockheed Martin Executive Leadership Team for consideration as appropriate.</p> <p>[p.6] Responsibilities</p> <p>Vice President Ethics and Business Conduct</p>

5.9 Design, develop, and manage the ethics and business conduct program, with guidance and support from the Lockheed Martin Executive Leadership Team, business area senior executives, ethics and business conduct steering committees, Ethics Directors, Ethics Officers, and other leaders as appropriate.

Senior Vice President Ethics and Enterprise Assurance

[p.7] 5.10 Provide program status to the Nominating and Corporate Governance Committee of the Board of Directors when required.

[19] Ethics (webpage)

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics.html>

The Senior Vice President (SVP), Ethics and Enterprise Assurance (EEA) reports directly to the Chairman, President and CEO and reports regularly to the Nominating and Corporate Governance Committee of the Board of Directors. The SVP, EEA provides the Board members with frequent updates on the Ethics and Enterprise Assurance activities of the corporation, including providing summary reports on Ethics and Business Conduct activities, and responds to their feedback. These summaries include reports on key metrics such as ethics office contacts, including investigations. Ethics and Business Conduct activity summaries and metrics are also presented to the corporation's Executive Leadership team four times per year.

[15] How the Ethics Process Works

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/how-ethics-process-works.pdf>

[p.1] The Senior Vice President Ethics and Enterprise Assurance, is an elected officer of the Corporation, reporting directly to the Chief Executive Office and to the Nominating and Corporate Governance Committee of the Board of Directors.

The Senior Vice President Ethics and Enterprise Assurance is responsible for overseeing corporate-wide efforts to promote a work environment that is positive, diverse, open and inclusive, where employees and others can ask questions, express work-related concerns about ethics issues, make inquiries or report violations without fear of retaliation.

The Vice President Ethics and Business Conduct manages the ethics and business conduct program and reports to the Senior Vice President Ethics and Enterprise Assurance.

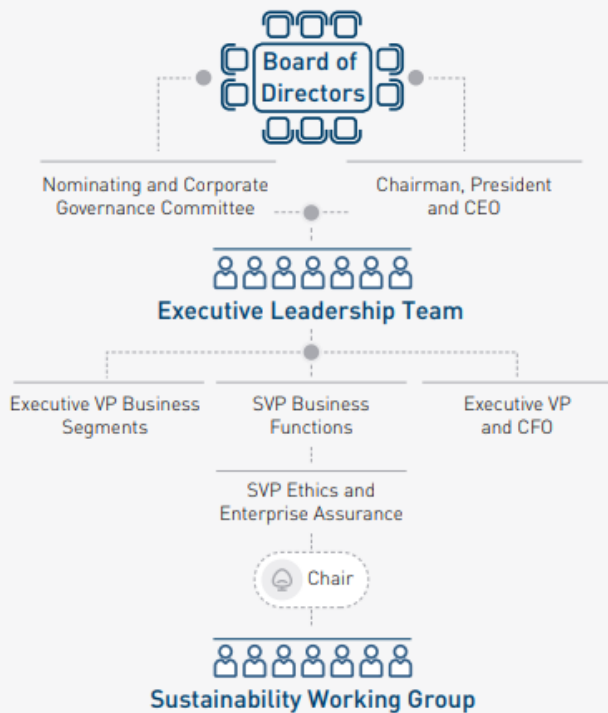
[37] 2018 Sustainability Report

Accessed 28/09/2019

https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/Lockheed_Martin_Sustainability_Report_Full_2018.pdf?_ga=2.52021929.1889726572.1569701320-89358915.1569486386

[p.11] Lockheed Martin's formal sustainability governance structure is made up of our Board of Directors, executive leadership team and key functional leaders responsible for sustainability initiatives. Our lead sustainability executive is the Senior Vice President (SVP) Ethics and Enterprise Assurance (EEA) who oversees ethics; enterprise risk; environment, safety and health; internal audit; and sustainability. He also sits on the corporate venture capital investments committee.

Our Sustainability Governance Structure



[40] 2019 Proxy Statement

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/annual-reports/2019-proxy-statement.pdf>

[p.27] Led by our Chairman and CEO, the executive leadership team guides and governs corporate-wide sustainability objectives and initiatives. Our lead sustainability executive is the Senior Vice President, Ethics and Enterprise Assurance, who reports to the Chairman and CEO and the Governance Committee. This role chairs our cross-functional working group chartered by company policy to implement sustainability.

[47] 2019 Sustainability Report

Accessed 02/09/2020

https://sustainability.lockheedmartin.com/sustainability/downloads/Lockheed_Martin_Sustainability_Report_Full_2019.pdf

[p.17] Lockheed Martin's formal sustainability governance structure is made up of our Board of Directors, executive leadership team, and key functional leaders responsible for sustainability initiatives. The Board meets with management to review SMP performance at least twice per year. Our lead sustainability executive is the Senior Vice President, Ethics and Enterprise Assurance, who reports to the Chairman and CEO and oversees ethics; enterprise risk; environment, safety and health; internal audit; and sustainability. He also chairs our cross-functional working group chartered by company policy to implement sustainability and sits on the corporate venture capital investments committee."

2. Internal Controls

Question
2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?
Score
1
Comments
<p>There is evidence that the company has a risk assessment procedure that informs the design of its anti-corruption and bribery programme. The company indicates that it continually monitors corruption risks in order to develop mitigating procedures and that it conducts a biennial Compliance Risk Assessment that includes bribery and corruption risk. It also undertakes a separate annual risk assessment of its international consultants.</p> <p>However, it is unclear whether the results of risk assessments are reviewed at board level.</p>
Evidence
<p>[47] 2019 Sustainability Report Accessed 02/09/2020 https://sustainability.lockheedmartin.com/sustainability/downloads/Lockheed_Martin_Sustainability_Report_Full_2019.pdf</p> <p>[p.17] We monitor and manage our economic, social, and environmental impacts through effective governance, with sustainability playing a key role in our business success. The leadership councils in our facilities — including risk and compliance; Environment, Safety and Health (ESH); and supply chain operations — all periodically evaluate our sustainability activities to improve enterprise resiliency.</p> <p>[...]</p> <p>Sustainability Governance Lockheed Martin's formal sustainability governance structure is made up of our Board of Directors, executive leadership team, and key functional leaders responsible for sustainability initiatives. The Board meets with management to review SMP performance at least twice per year. Our lead sustainability executive is the Senior Vice President, Ethics and Enterprise Assurance, who reports to the Chairman and CEO and oversees ethics; enterprise risk; environment, safety and health; internal audit; and sustainability. He also chairs our cross-functional working group chartered by company policy to implement sustainability, and sits on the corporate venture capital investments committee.</p> <p>[...]</p> <p>Our independent directors who serve on the Governance Committee review performance against the SMP, and the Committee also approves the Corporation's Code of Conduct and this annual Sustainability Report.</p> <p>[p.21] Goals</p> <p>[...]</p> <p>Complete annual audit plan of international development consultants identified through structured risk assessment of 100% of this consultant population.</p> <p>Progress We completed the annual risk assessments and completed the audit plan of international business development consultants for 2020. For additional information on our Anti-Corruption and Program, please see our public website.</p> <p>[...]</p> <p>Highlights</p>

[...]

- Automated, efficient monitoring – We launched an improved tool for automated anti-corruption monitoring. The tool allows us to analyze flagged transaction records from more data sources, improving both accuracy and efficiency. The result is more efficient use of human review time and analysis of flagged transactions, which in turn allows for rapid and focused attention on specific flagged transactions. The tool also enables us to better identify the public officials and countries with which we most frequently engage, and which groups of employees might benefit from refresher training on gifts and business courtesy so that they are well-equipped to create plans for mitigating associated risks.

[48] 2019 Annual Report

Accessed 02/09/2020

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/annual-reports/lockheed-martin-annual-report-2019.pdf>

[p.9] ITEM 1A. Risk Factors

[p.14] International sales may pose different political, economic, regulatory, competition and other risks. In 2019, 28% of our total net sales were from international customers. We have a strategy to continue to grow international sales, inclusive of sales of F-35 aircraft to our international partner countries and other countries. International sales are subject to numerous political and economic factors, regulatory requirements, significant competition, taxation, and other risks associated with doing business in foreign countries. Our exposure to such risks may further increase if our international sales grow as we anticipate.

[p.15] While international sales, whether contracted as FMS or DCS, present risks that are different and potentially greater than those encountered in our U.S. business; DCS with international customers may impose even greater risks. DCS transactions involve direct commercial relationships with parties with whom we have less familiarity and where there may be significant cultural differences. Additionally, international procurement and local country rules and regulations, contract laws, judicial systems, and contractual terms differ from those in the U.S. and are less familiar to us and may treat as criminal matters issues that would be considered civil matters in the U.S.

International regulations may be interpreted by foreign courts less bound by precedent and with more discretion; these interpretations frequently have terms less favorable to us than the FAR. Export and import and currency risk also may be increased for DCS with international customers. While these risks are potentially greater than those encountered in our U.S. business, we seek to price our products and services commensurate with the risk profile on DCS with international customers.

In conjunction with defense procurements, some international customers require contractors to comply with industrial cooperation regulations, including entering into industrial cooperation agreements, sometimes referred to as offset agreements. Recently, certain customers have increased their demands for offset commitment levels and higher-value content, including the transfer of technologies and local production and economic development. Expectations as to offset commitments may exceed existing local technical capability. Offset agreements may require in-country purchases, technology transfers, local manufacturing support, investments in foreign joint ventures and financial support projects as an incentive or as a condition to a contract award. In some countries, these offset agreements may require the establishment of a joint venture with a local company, which must control the joint venture. The costs to satisfy our offset obligations are included in the estimates of our total costs to complete the contract and may impact our profitability and cash flows. The ability to recover investments that we make is generally dependent upon the successful operation of joint ventures that we do not control and may involve products and services that are dissimilar to our business activities. In these and other situations, we could be liable for violations of law for actions taken by these entities such as laws related to anti-corruption, import and export, taxation and anti-boycott restrictions. Offset agreements generally extend over several years and may provide for penalties in the event we fail to perform in accordance with the offset requirements, which are typically subjective and can be outside of our control.

[2] Compliance with Anti-Corruption Laws

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf>

[p.5] 6.1 Lockheed Martin has established a comprehensive Anti-Corruption Program (ACP) to identify, manage, and mitigate corruption risks associated with the Corporation's business activities.

6.2 The ACP is built upon the following principles:

[p.6] • Continuous assessment and monitoring of corruption risks to ensure appropriate steps are taken to mitigate and prevent occurrence;

6.3 On a quarterly basis, the Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts will provide a report describing the state of the ACP and associated metrics of compliance with this policy to the Senior Vice President, General Counsel & Corporate Secretary. Each BAAC will provide a similar report quarterly to their respective business area Vice President & General Counsel describing the state of that business area's ACP implementation and associated metrics of compliance with this policy.

[27] Other Policies Related to Anti-Corruption

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf>

[p.2] As part of its risk management activities, ERM partners with Internal Audit and the Ethics and Business Conduct departments to conduct a biennial Compliance Risk Assessment (CRA) that includes Bribery and Anti-Corruption topics. The CRA includes a review of the effectiveness of company controls and management oversight, and includes a review of risk categories such as partnerships, Joint Ventures, and other special-purpose entities, including international entities.

[37] 2018 Sustainability Report

Accessed 28/09/2019

https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/Lockheed_Martin_Sustainability_Report_Full_2018.pdf?_ga=2.52021929.1889726572.1569701320-89358915.1569486386

[p.12] HOW SUSTAINABILITY AND RISK MANAGEMENT WORK TOGETHER

At Lockheed Martin, we see a strong relationship between business resilience and enterprise risk. Risk management is a natural extension of sustainability and both keep the business viable not just for the next quarter, but for the next quarter century and beyond.

We aligned Sustainability and Enterprise Risk Management (ERM) under one department managed by our Director of Enterprise Risk and Sustainability.

- Our risk assessments explicitly probe sustainability factors for business impact, likelihood of occurrence and confidence in controls.
- Our performance tracking against sustainability goals informs acceptable risk tolerance levels and consistency of public disclosures and reporting.
- The benefits of coordinating these efforts extend to our business operations and support our core sustainability issues. Greater integration between sustainability and ERM enables our management teams to tap risk assessments and sustainability performance when conducting scenario planning exercises

[40] 2019 Proxy Statement

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/annual-reports/2019-proxy-statement.pdf>

[p.28] Enterprise Risk and Sustainability Priorities

Our sustainability strategy aligns stakeholder priorities with our Corporation's ESG impacts. To build integrated assurance, enterprise risk and sustainability are managed jointly in one department and mutually reinforced through the following processes:

- Risk Identification: We monitor a dynamic risk universe that includes ESG topics prevalent in voluntary frameworks, mandatory regulations, and internally identified sources.
- Risk Assessment: We prioritize and evaluate assumptions from a diverse set of risk topics that are relevant to strategic and operational objectives. This includes examining environmental and social factors applicable to risk topics in our business.

- Risk Controls and Mitigation: Through the Risk Audit Strategy Board (a periodic, rigorous examination of intersection between our Enterprise Risk heat map index and our internal audit plan) we mitigate risk related to several ESG factors, and we track, measure and report our performance for greater transparency. This process also informs how we evaluate the effectiveness of controls for risk elements identified through our enterprise risk assessments, corporate policies and internal audits.

Question
2.2. Is the company's anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?
Score
2
Comments
<p>The company states that its anti-bribery and corruption programme is subject to annual internal audit to ensure that it is consistent with best practice and addresses the business risks facing the company. There is evidence that significant findings are reported to the board-level Audit Committee and, when issues are identified, the company assigns an individual responsible to implement a corrective action plan.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf [p.2] CPS-013, Total Audit Program, describes Lockheed Martin's comprehensive Internal Audit function that evaluates risk exposures and internal controls relating to finance, governance, operations, and information technology. The policy states that the Senior Vice President, Ethics and Enterprise Assurance, reports significant audit matters to the Audit Committee of the Board of Directors. The policy states that when a Corporate Internal Audit report identifies an area of non-compliance with Corporate policy, a responsible individual is assigned, will prepare a corrective action plan for remediating the issues cited and their root cause, and will provide oversight to prevent their recurrence.</p> <p>Annually, Corporate Internal Audit develops a risk-based audit plan, which considers anti-corruption program elements within Lockheed Martin. In addition, Lockheed Martin conducts an annual risk assessment of its International Consultants (including agents, representatives, resellers, and brokers) based on objective factors and selects certain consultants for audits of the consultants' own books and records and compliance with the anti-corruption compliance terms of their agreements.</p> <p>[2] Compliance with Anti-Corruption Laws Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf [p.14] 12.0 Corporate Internal Audit</p> <p>In accordance with its annual audit plans, Corporate Internal Audit will periodically assess or audit internal controls across the Corporation to ensure compliance with this policy and anticorruption laws. Audit reports concerning anti-corruption compliance will be provided to the Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts, who will provide the results to the Senior Vice President, General Counsel & Corporate Secretary.</p> <p>[5] Ethics and Business Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf [p.7] Corporate Internal Audit</p> <p>5.11 In accordance with its annual audit plans, corporate Internal Audit periodically will assess or audit internal controls across the Corporation, assuring compliance with this policy. Consistent with CPS-013, Total Audit Program, the corporate Director Audit Operations will, when necessary, use external resources to ensure an independent appraisal of compliance with this policy and will report significant audit matters to management and the Audit Committee of the Board of Directors.</p>

Question
2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?
Score
2
Comments
<p>The company publicly commits to investigating incidents and there is a specific procedure in place to deal with whistleblowing cases, which stipulates documentation and actions to be taken at each step. The procedures cover the whole investigation process from receipt to final outcome and there is evidence that the company takes steps to ensure the independence of its investigations. Ethics officers from the company's Legal, Ethics, Human Resources, Industrial Security, Internal Audit, or Information Security departments generally perform investigations. The company's Ethics Office collects information on investigations and presents these to the executive leadership team four times per year.</p>
Evidence
<p>[19] Ethics (webpage) Accessed 28/09/2019 https://www.lockheedmartin.com/en-us/who-we-are/ethics.html The Senior Vice President (SVP), Ethics and Enterprise Assurance (EEA) reports directly to the Chairman, President and CEO and reports regularly to the Nominating and Corporate Governance Committee of the Board of Directors. The SVP, EEA provides the Board members with frequent updates on the Ethics and Enterprise Assurance activities of the corporation, including providing summary reports on Ethics and Business Conduct activities, and responds to their feedback. These summaries include reports on key metrics such as ethics office contacts, including investigations. Ethics and Business Conduct activity summaries and metrics are also presented to the corporation's Executive Leadership team four times per year.</p> <p>Investigations and Reporting of Potential Misconduct</p> <p>Lockheed Martin promptly and thoroughly investigates all alleged violations of laws, regulations, policies, procedures, or the Lockheed Martin Code of Ethics & Business Conduct, "Setting the Standard," that occur in the workplace or in o-premises situations with a relationship to the workplace or that affect the workplace. Potential violations may be identified through normal compliance or raised by whistleblowers and other concerned employees. This includes any potential violation of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other international anti-corruption laws (together, "Anti-Corruption Laws"), whether the allegations involve individuals employed directly by Lockheed Martin or those with whom we partner, such as agents and suppliers. For more details on internal investigations at Lockheed Martin, see CRX-021, Internal Investigations (/content/dam/lockheed-martin/eo/documents/ethics/crx-021.pdf).</p> <p>[2] Compliance with Anti-Corruption Laws Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf [p.13] 9.2 Any Covered Person, who suspects or becomes aware of any violation of this policy or any anti-corruption law, must immediately report the violation to the Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts or designee. Element Legal Counsel will investigate reported violations and report results to his or her business area Vice President & General Counsel and the Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts or designee for determination of any further actions that may be required.</p> <p>[15] How the Ethics Process Works Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/how-ethics-process-works.pdf [p.2] What can you expect when you contact the Ethics Office?</p> <p>Your Ethics Officer is a resource for you. If you have a question or need advice you will be provided with confidential guidance, often in the same phone call. Sometimes your Ethics Officer will help connect you with a subject matter expert to provide additional information. Other times, it may take a few days to get the information needed to provide guidance to you.</p>

[p.3] If you have a concern, or observe misconduct or a violation that requires an investigation, your Ethics Officer will work with you and explain the ethics process.

When you contact the Ethics Office, here is what you can expect:

- Your concern is taken seriously.
- You are treated with dignity and respect.
- You are not required to identify yourself.
- Your communication with the Ethics Office is kept confidential to the greatest extent possible.
- You are kept informed during the investigation.
- You are contacted when the investigation is complete and informed as to whether the investigative finding is substantiated or unsubstantiated.

NOTE: You will not be advised of specific discipline for the subject of the investigation as their privacy will also be protected.

[p.4] When I call the HelpLine to report misconduct, what information will I be asked to provide?

Although it is not a requirement, we encourage you to provide us with your contact information so we can keep you informed, ask follow-up questions, and provide you with the outcome of the investigation.

[p.5] Can I remain anonymous and keep track of the status of my ethics investigation?

Yes. We will provide you with a record number you can use to request a status on an ethics investigation that you initiate. You may also provide a personal e-mail account or phone number for the Ethics Officer to use to contact you with updates and questions.

How long does it take for an ethics investigation to be completed?

It depends on the nature and complexity of the allegations. An investigation may take anywhere from a few days to several months. The average time to complete an ethics investigation is around 35 days.

What typically happens when an ethics investigation is substantiated?

If an allegation is substantiated, ethics provides investigative findings to Human Resources to determine appropriate discipline.

Discipline varies depending on the type of allegation and severity of the misconduct. Even though disciplinary or corrective actions may not be evident to you, termination of employment, resign/retire in lieu of termination, suspension, written or verbal warnings, or coaching/ counseling are some of the actions typically taken. Occasionally, an employee against whom an allegation is substantiated may be removed from their leadership role.

[26] CRX-021 Internal Investigations

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/crx-021.pdf>

[p.2] 4.0 Investigation Integrity

4.1 Lockheed Martin will ensure that its internal investigations are conducted in a manner that complies with all applicable federal, state, and local laws, orders, rules, regulations, and ordinances; Lockheed Martin policies and procedures; and the Code of Ethics & Business Conduct.

4.2 Investigators must execute their responsibilities with integrity, fairness, and timeliness in engagement and completion, and consult with their management, Ethics organization, and/or the Legal department as necessary. The primary responsibility of an investigator is to uncover facts and evidence to substantiate or refute allegations and/or to fully comprehend an incident. Investigators must act with integrity in the methods used in obtaining information, documentation, and evidence. Investigators will not misrepresent themselves or pretext their identities to obtain employee private or confidential information.

4.3 Investigators must act with fairness and objectivity in gathering and assessing information, and will provide all relevant information to the element's administrative review committee or similarly established discipline process.

Investigators must respect the confidentiality of the investigation and reveal investigation information only to authorized persons with a need to know.

5.0 Investigators

5.1 Investigations may be authorized and initiated only by Legal, Ethics, Human Resources, or Industrial Security. Internal investigations generally will be performed by members of Lockheed Martin's Legal, Ethics, Human Resources, Industrial Security, Internal Audit, or Information Security department, as applicable. The relevant lead of these functional areas may delegate performance of an internal investigation to a Lockheed Martin employee outside of these functions provided the lead controls and monitors the investigation. Responsibility for performing the internal investigation should be delegated when an internal conflict of interest exists.

5.2 Non-Lockheed Martin employees may be engaged to perform internal investigations in special circumstances where, for example, the necessary expertise does not exist in-house, outside legal counsel is needed or deemed prudent, or a matter is considered non-routine or involves a volume of work beyond that which these departments are staffed to handle. Outside counsel must be retained in accordance with CRX-001, Performance of Legal Activities. The corporate Senior Vice President Enterprise Business Services & Chief Information Officer must be consulted with in determining whether the necessary information technology forensics expertise does not exist in-house. Outside counsel and

[p.3] contracted investigators must comply with this procedure and should be made aware of their responsibilities by means of appropriate language in their agreements.

5.3 Investigators will be properly trained to conduct internal investigations, which includes familiarity with the Lockheed Martin Corporate Investigations Guide (the "LMC Investigations Guide") and other training required to stay current with investigative practices, laws, and regulations. Investigators should use the LMC Investigations Guide as the reference for conducting internal investigations. The LMC Investigations Guide and other similar documentation addressing the conduct of investigations are not available except to authorized employees.

5.4 The Legal department is available to support and counsel investigators in the conduct of their internal investigations. Investigators should contact the Legal department with any questions on investigation techniques, the LMC Investigations Guide, procedures, or any unusual preliminary findings. Investigators should immediately notify the Legal department if there is any suspicion of criminal activity by anyone, or any issue that requires disclosure under Corporate Policy Statements or other policies and procedures.

[p.4] 6.5 Reports of investigation and related documentation must be protected in accordance with CRX-015, Protection of Sensitive Information, and when applicable, direction provided by relevant legal counsel. Reports normally will be marked LOCKHEED MARTIN PROPRIETARY INFORMATION or, when directed by relevant legal counsel, CONFIDENTIAL AND PRIVILEGED ATTORNEY-CLIENT COMMUNICATION— ATTORNEY WORK PRODUCT. Unless otherwise prohibited by law, employees are not entitled to review or obtain a copy of reports of investigation or related documentation; however, subject to the employee's continued compliance with CRX-015, he or she may have a copy of any document that he or she signed in the course of fulfilling the responsibilities of his or her position, unless that document contains classified information. Any classified information must be protected in accordance with the applicable rules, regulations, and security classification guidance promulgated by the U.S. government or, when applicable, by a foreign government.

6.6 Reports of investigation and related documentation must be retained in accordance with CRX-008A, Corporate Records Retention Schedule, or the element's Records Retention Schedule, unless otherwise directed by relevant legal counsel.

[...]

7.4 The Senior Vice President, General Counsel & Corporate Secretary, corporate Vice President Ethics & Sustainability, corporate Senior Vice President Human Resources, corporate Vice President Internal Audit, and corporate Senior Vice President Enterprise Business Services & Chief Information Officer, directly or through corporate and business area Legal, Ethics, Human Resources, Industrial Security, Internal Audit, or Information Security, will provide timely and professional investigative services as appropriate, and provide service, support, and guidance as required.

Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
2
Comments
<p>There is evidence that the company assures itself of the quality of its internal investigations for incident reports and whistleblowing cases. The company's investigations policy states that investigators are properly trained to perform this function and receive support from the legal department. There is additional evidence that the company ensures the quality of its investigations procedure by requesting employee feedback, and publishing the results. Furthermore, there is evidence that the company has procedures in place to account for complaints or concerns about Ethics Officers in the investigation process. The company's investigations procedures are reviewed every three years.</p>
Evidence
<p>[26] CRX-021 Internal Investigations Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/crx-021.pdf [p.2] 4.0 Investigation Integrity</p> <p>4.1 Lockheed Martin will ensure that its internal investigations are conducted in a manner that complies with all applicable federal, state, and local laws, orders, rules, regulations, and ordinances; Lockheed Martin policies and procedures; and the Code of Ethics & Business Conduct.</p> <p>4.2 Investigators must execute their responsibilities with integrity, fairness, and timeliness in engagement and completion, and consult with their management, Ethics organization, and/or the Legal department as necessary. The primary responsibility of an investigator is to uncover facts and evidence to substantiate or refute allegations and/or to fully comprehend an incident. Investigators must act with integrity in the methods used in obtaining information, documentation, and evidence. Investigators will not misrepresent themselves or pretext their identities to obtain employee private or confidential information.</p> <p>4.3 Investigators must act with fairness and objectivity in gathering and assessing information, and will provide all relevant information to the element's administrative review committee or similarly established discipline process. Investigators must respect the confidentiality of the investigation and reveal investigation information only to authorized persons with a need to know.</p> <p>5.0 Investigators</p> <p>5.1 Investigations may be authorized and initiated only by Legal, Ethics, Human Resources, or Industrial Security. Internal investigations generally will be performed by members of Lockheed Martin's Legal, Ethics, Human Resources, Industrial Security, Internal Audit, or Information Security department, as applicable. The relevant lead of these functional areas may delegate performance of an internal investigation to a Lockheed Martin employee outside of these functions provided the lead controls and monitors the investigation. Responsibility for performing the internal investigation should be delegated when an internal conflict of interest exists.</p> <p>5.2 Non-Lockheed Martin employees may be engaged to perform internal investigations in special circumstances where, for example, the necessary expertise does not exist in-house, outside legal counsel is needed or deemed prudent, or a matter is considered non-routine or involves a volume of work beyond that which these departments are staffed to handle. Outside counsel must be retained in accordance with CRX-001, Performance of Legal Activities. The corporate Senior Vice President Enterprise Business Services & Chief Information Officer must be consulted with in determining whether the necessary information technology forensics expertise does not exist in-house. Outside counsel and contracted investigators must comply with this procedure and should be made aware of their responsibilities by means of appropriate language in their agreements.</p> <p>[p.3] 5.3 Investigators will be properly trained to conduct internal investigations, which includes familiarity with the Lockheed Martin Corporate Investigations Guide (the "LMC Investigations Guide") and other training required to stay current with investigative practices, laws, and regulations. Investigators should use the LMC Investigations</p>

Guide as the reference for conducting internal investigations. The LMC Investigations Guide and other similar documentation addressing the conduct of investigations are not available except to authorized employees.

5.4 The Legal department is available to support and counsel investigators in the conduct of their internal investigations. Investigators should contact the Legal department with any questions on investigation techniques, the LMC Investigations Guide, procedures, or any unusual preliminary findings. Investigators should immediately notify the Legal department if there is any suspicion of criminal activity by anyone, or any issue that requires disclosure under Corporate Policy Statements or other policies and procedures.

[p.4] 6.5 Reports of investigation and related documentation must be protected in accordance with CRX-015, Protection of Sensitive Information, and when applicable, direction provided by relevant legal counsel. Reports normally will be marked LOCKHEED MARTIN PROPRIETARY INFORMATION or, when directed by relevant legal counsel, CONFIDENTIAL AND PRIVILEGED ATTORNEY-CLIENT COMMUNICATION— ATTORNEY WORK PRODUCT. Unless otherwise prohibited by law, employees are not entitled to review or obtain a copy of reports of investigation or related documentation; however, subject to the employee's continued compliance with CRX-015, he or she may have a copy of any document that he or she signed in the course of fulfilling the responsibilities of his or her position, unless that document contains classified information. Any classified information must be protected in accordance with the applicable rules, regulations, and security classification guidance promulgated by the U.S. government or, when applicable, by a foreign government.

6.6 Reports of investigation and related documentation must be retained in accordance with CRX-008A, Corporate Records Retention Schedule, or the element's Records Retention Schedule, unless otherwise directed by relevant legal counsel.

[19] Ethics (webpage)

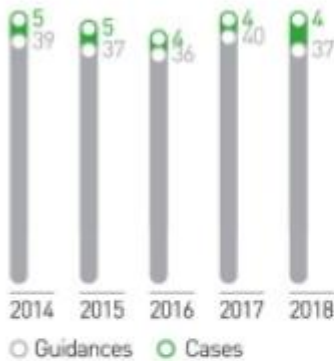
Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics.html>

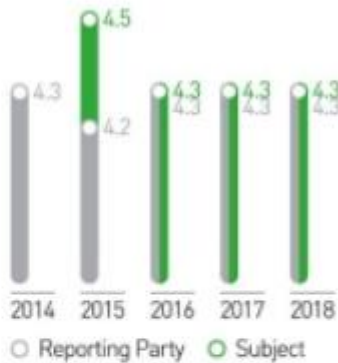
Lockheed Martin promptly and thoroughly investigates all alleged violations of laws, regulations, policies, procedures, or the Lockheed Martin Code of Ethics & Business Conduct, "Setting the Standard," that occur in the workplace or in off-premises situations with a relationship to the workplace or that affect the workplace. Potential violations may be identified through normal compliance channels or raised by whistleblowers and other concerned employees. This includes any potential violation of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other international anti-corruption laws (together, "Anti-Corruption Laws"), whether the allegations involve individuals employed directly by Lockheed Martin or those with whom we partner, such as agents and suppliers. For more details on internal investigations at Lockheed Martin, see CRX-021, Internal Investigations. This procedure covers incident investigations reported through both internal and external reporting channels. The procedure is reviewed whenever associated regulations change. In addition, it is Lockheed Martin's practice to annually identify any policies that have not been updated in 3 years, and, if needed, assess the need for them to be reviewed.

Metrics: Ethics Investigations and Requests for Guidance

ETHICS CONTACTS (per 1,000 employees)



INVESTIGATION FEEDBACK SCORES (satisfaction scored on a five-point scale)



¹ *Gartner State of the Compliance and Ethics Function 2018: Investigations and Discipline Findings*

Cases	2016	2017	2018
Case Count	382	384	367
Cases per 1,000	4	4	4
Guidances	2016	2017	2018
Guidance Count	3,148	3,645	3,680
Guidances per 1,000	36	40	37

*The metrics provided represent investigations related to individuals regardless of organizational level.

**If any Ethics investigations were conducted into third parties, such as contractors or suppliers, they are included in the figures above.

***The metrics provided include investigations on reports from all sources, both internal and external, if any.

****In 52.6% of ethics investigations conducted in 2018, disciplinary action was taken.

[15] How the Ethics Process Works

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/how-ethics-process-works.pdf>

[p.2] For help locating your Ethics Officer or to report a concern:

- View your employee profile in Lockheed Martin's Enhanced White Pages (ewp.global.lmco.com). Click on the Properties tab.
- Look for the Ethics Officer posters on display in your facility.
- Call the Lockheed Martin HelpLine: 1-800-563-8442
- Send an email to corporate.ethics@lmco.com
- Post a question to Ask Us https://ethics.corp.lmco.com/New_Request

If you have a concern with the actions or decisions of an Ethics Officer, please contact the Business Area Ethics Director. If you have a concern with the actions or decisions of a Business Area Ethics Director, please contact the Vice President Ethics and Business Conduct.

If you have a concern with the actions or decisions of the Vice President Ethics and Business Conduct, please contact the Senior Vice President Ethics and Enterprise Assurance.

If you have a concern with the actions or decisions of the Senior Vice President Ethics and Enterprise Assurance, please contact the General Counsel and Corporate Secretary.

[p.6] How does Lockheed Martin measure the effectiveness of its ethics process?

Reporting Parties who bring concerns forward, as well as Subjects of investigations, are encouraged to complete a voluntary and confidential Feedback Survey about their experience during the ethics investigation process. This information helps improve the Ethics Program.

Question
2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?
Score
2
Comments
<p>The company makes a clear commitment to disclosing material findings of bribery and corruption to government authorities. The company's legal team handles this process, obtaining sign-off by an appropriately senior individual, namely the Senior Vice President, General Counsel & Corporate Secretary; although the company does not explicitly state findings are reported to the Board of Directors, this individual is a member of the executive leadership. There is also evidence that there are provisions in place to allow employees to report directly to the Board where appropriate.</p>
Evidence
<p>[25] Disclosures to the United States Government Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-718.pdf [p.1] 1.0 Policy</p> <p>1.1 Lockheed Martin will conduct its business according to the highest standards of business ethics. Lockheed Martin will establish and follow reasonable procedures designed to prevent and detect violations of federal procurement laws and cooperate fully with government investigations.</p> <p>1.2 Pursuant to the Federal Acquisition Regulation (FAR) 52.203-13, when there is credible evidence of a violation of certain federal criminal laws, a violation of the U.S. Civil False Claims Act, or a significant overpayment (see FAR 9.406-2(b)(1)(vi) and 9.407-2(a)(8)), Lockheed Martin will submit a mandatory disclosure describing Reportable Violations to the appropriate agency Office of Inspector General and Contracting Officer in a timely manner.</p> <p>1.3 In addition to the requirements of FAR 52.203-13, Lockheed Martin, on a voluntary basis, will promptly and fully disclose to the responsible authorities all other violations of federal law and instances of significant employee misconduct affecting or influencing its operations as described in 4.5 and 4.6 below.</p> <p>2.0 Other Reportable Matters</p> <p>2.1 Alleged anti-kickback violations will be investigated, and disclosed when appropriate, in accordance with CPS-716, Compliance with the Anti-Kickback Act of 1986. If an anti-kickback violation also is a Reportable Violation under CPS-718, it will be reported in accordance with both policies.</p> <p>[p.3] 4.3 Following are examples of potentially Reportable Violations subject to the requirements of FAR 52.203-13. The list of examples is not exhaustive:</p> <ul style="list-style-type: none"> • Bribery of or providing a prohibited payment or gratuity to a government official or his or her family or household member (exceptions: gifts or things of value permitted under law and company policy). <p>[...]</p> <p>Voluntary Disclosures</p> <p>4.5 Some violations of law, significant employee misconduct, or other matters may not be Reportable Violations under FAR 52.203-13, but Lockheed Martin may elect to report them in the spirit of maintaining the highest standards of business ethics and transparency with U.S...</p> <p>[p.4] ... government agencies. Examples of such conduct may include violations of the federal securities laws, violations of the Anti-Corruption Laws on commercial contracts, or violations of procurement laws that may not be covered by FAR 52.203-13. Lockheed Martin will disclose such violations on a voluntary basis.</p> <p>[...]</p>

5.0 Implementation

5.1 Employees must immediately report information relating to potentially Reportable Violations, or other violations of law or instances of significant employee misconduct, to their management, Human Resources, Ethics Office, or Legal Counsel. The person receiving the information must immediately report information relating to potentially Reportable Violations, or other violations of law or instances of significant employee misconduct, to the element's Legal Counsel, who will make a preliminary determination, based on the nature of the matter, as to whether it is a Reportable Violation under FAR 52.203-13, or a matter to be reported on a voluntary basis.

5.2 If the element's Legal Counsel concludes that the conduct is a Reportable Violation or other violation to be reported on a voluntary basis, element Legal Counsel must immediately notify the corporate Vice President & Associate General Counsel - Litigation & Compliance or designee. The requirement for notification is intended as a safeguard to help ensure that all such conduct is promptly addressed and decisions to report violations are handled consistently across the Corporation. Notification will initiate a monitoring and tracking mechanism to ensure that the allegation is promptly investigated and that disclosure is made as appropriate.

5.3 All internal investigations will be conducted in accordance with CRX-021, Internal Investigations. In specific instances (particularly when the information may affect more than one element, senior personnel are alleged to be involved, or the allegation initially appears to involve a criminal violation) the investigation may be conducted or directed by corporate Legal, supported by other functional departments as appropriate. Corporate Legal may assume responsibility for an investigation covered by this policy at any time. In all cases, Legal staff will take steps to preserve the attorney/client and work product privileges as appropriate.

[p.5] 5.4 Personnel responsible for conducting an investigation covered by this policy will provide periodic reports on the status and findings of the investigation to the element's Legal Counsel, who will provide periodic reports to the corporate Vice President & Associate General Counsel - Litigation & Compliance or designee.

5.5 When there is credible evidence of a Reportable Violation, or reasonable grounds to believe either that federal laws other than those referenced in the definition of Reportable Violation may have been violated or that a matter warrants voluntary disclosure, the element's Legal Counsel or designee will prepare a written draft report of the violation and investigation and provide the draft report to the corporate Vice President & Associate General Counsel - Litigation & Compliance or designee. The corporate Vice President & Associate General Counsel - Litigation & Compliance or designee will review the draft report and obtain the approval of the Senior Vice President, General Counsel & Corporate Secretary if the matter to be disclosed is significant. Once corporate Legal approval is obtained, element or corporate Legal will submit the report to the government.

[1] Code of Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf>

[p.2] To the greatest extent possible, we will cooperate with government agencies responsible for investigating suspected violations of the law. If requested by Lockheed Martin, you are also required to cooperate with investigations conducted by any government.

- You must notify the Ethics Office, Legal Department or Industrial Security if you learn that a government agency or any third party is conducting an investigation or asking for information pertaining to a suspected violation of law.

[2] Compliance with Anti-Corruption Laws

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf>

[p.5] 5.2 Lockheed Martin will fully cooperate with regulatory and law enforcement authorities in the investigation and prosecution by such authorities of alleged violation of anti-corruption laws.

[19] Ethics (webpage)

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics.html>

Lockheed Martin employees are required to report suspected violations of law or policy, including potential violations of the Anti-Corruption Laws, so that the Corporation can investigate and, if appropriate, disclose the misconduct to the cognizant government entity or entities. Transparency is paramount to Lockheed Martin's ethics and compliance program. CPS-718, Disclosures to the U.S. Government (/content/dam/lockheedmartin/eo/documents/ethics/cps-718.pdf) ensures that Lockheed Martin promptly and fully

discloses to the responsible authorities all violations of federal law and instances of significant employee misconduct affecting or influencing its operations.

[5] Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf>

[p.4] 3.16 Furthermore, other Lockheed Martin policies and procedures require employees immediately to report information or concerns about potential violations of law, misconduct, or overpayments by the government (see, for example, CPS-718, Disclosures to the United States Government; CPS-716, Compliance with the Anti-Kickback Act of 1986; CPS-310, International Trade Controls and Compliance). The reported conduct will be subject to review and possible investigation. Lockheed Martin will disclose such matters to governmental entities when required by law or Lockheed Martin policy.

[15] How the Ethics Process Works

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/how-ethics-process-works.pdf>

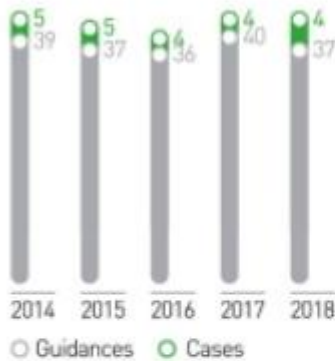
[p.2] Reporting Specific Concerns to the Audit Committee of the Lockheed Martin Board of Directors

Employees may transmit concerns about accounting, internal controls or auditing matters and confidential or anonymous submission of questionable accounting or auditing matters to the Audit Committee of the Lockheed Martin Board of Directors.

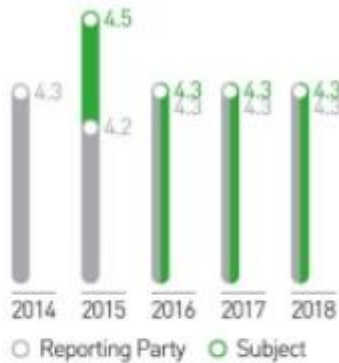
If you wish to raise a concern to the Audit Committee, you may do so by contacting the Corporate Ethics Office and your concern will be communicated to the Chair of the Audit Committee of the Board.

Question
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?
Score
2
Comments
<p>The company publishes high-level information on ethics and compliance-related incidents and investigations involving all company employees covering the last 12 months. This includes the number of ethics contacts made per thousand employees and the percentage of investigations that resulted in disciplinary action. The company states that its data includes investigations originating from internal and external sources, which appears to include reports received through the company's whistleblowing channel.</p>
Evidence
<p>[19] Ethics (webpage) Accessed 15/12/2019 https://www.lockheedmartin.com/en-us/who-we-are/ethics.html Investigations and Reporting of Potential Misconduct</p> <p>Lockheed Martin promptly and thoroughly investigates all alleged violations of laws, regulations, policies, procedures, or the Lockheed Martin Code of Ethics & Business Conduct, "Setting the Standard," that occur in the workplace or in off-premises situations with a relationship to the workplace or that affect the workplace. Potential violations may be identified through normal compliance channels or raised by whistleblowers and other concerned employees.</p> <p>Metrics: Ethics Investigations and Requests for Guidance</p>

ETHICS CONTACTS (per 1,000 employees)



INVESTIGATION FEEDBACK SCORES (satisfaction scored on a five-point scale)



[†] *Gartner State of the Compliance and Ethics Function 2018: Investigations and Discipline Findings.*

Cases	2016	2017	2018
Case Count	382	384	367
Cases per 1,000	4	4	4
Guidances	2016	2017	2018
Guidance Count	3,148	3,645	3,680
Guidances per 1,000	36	40	37

*The metrics provided represent investigations related to individuals regardless of organizational level.

**If any Ethics investigations were conducted into third parties, such as contractors or suppliers, they are included in the figures above.

***The metrics provided include investigations on reports from all sources, both internal and external, if any.

****In 52.6% of ethics investigations conducted in 2018, disciplinary action was taken.

3. Support to Employees

Question
3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?
Score
2
Comments
<p>There is evidence that the company provides training on its anti-bribery and corruption policy, which forms part of its broader Ethics Awareness and Business Conduct Compliance Training. It is clear that this covers the whistleblowing options available to employees. The company provides this training to all employees across all divisions and countries of operation, and in all appropriate languages. Employees are required to undertake and refresh this training on an annual basis.</p>
Evidence
<p>[20] Business conduct compliance training (webpage) Accessed 28/09/2019 https://www.lockheedmartin.com/en-us/who-we-are/ethics/business-conduct-compliance-training.html</p> <p>Business conduct compliance training educates employees in every country where Lockheed Martin operates about the standards of conduct that apply to their jobs and the potential consequences of violations. Annually, we conduct a mandatory training review with our Subject Matter Experts (SMEs) who assist us with the review of the content, target audiences, and repeat intervals of our Business Conduct Compliance Training. Results of the annual review are presented to the Risk and Compliance Committee and any significant modifications requested require the committee's approval. Employees are also sent a survey after course completions to help measure the overall effectiveness of our business conduct compliance training. In addition, Lockheed Martin regularly identifies the need for and develops focused supplementary training for groups of employees facing increased risk based on geographical location, and Ethics and Compliance training is required and provided on an annual basis to international consultants. Business conduct compliance training is required in areas that present substantial risk to the Corporation, including the below courses:</p> <p>Gifts and Business Courtesies covers the giving and receiving of gifts and business courtesies and explains how to comply with anti-kickback and anti-corruption policies, laws and regulations (see also International Business Practices). This course is required to be taken annually by the CEO/President and Executive Vice Presidents or Company Vice Presidents/General Managers and their direct reports; all leader coded employees; all Control Account Managers; all employees in LM Government Affairs, LM International, Global Supply Chain, Legal, Contracts, Procurement and Ethics and Business Conduct.</p> <p>International Business Practices teaches employees how to recognize and address situations that could lead to violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other applicable bribery, anti-boycott, or anti-corruption laws in the U.S. and other countries in which we do business (see also Gifts and Business Courtesies). This course is required to be taken annually by the CEO/President, Executive Vice Presidents or Company Vice Presidents/General Managers and their direct reports; all employees in Communications, Legal, Business Development, International Human Resources, Finance, Audit, Contracts, Procurement, Global Supply Chain Operations and International tax; employees in Project Management, Shipping and Traffic and Security positions; all employees in Ethics and Business Conduct, LM International and LM Government Affairs; employees whose work location is in a country that scores a 50 or below in the TI Corruption Perceptions Index; and employees who schedule international travel in the company travel system</p> <p>[21] FAQs 2019 Ethics Awareness Training Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/FAQs.pdf</p> <p>[p.2] 1. What is the training period for 2019 Ethics Awareness Training?</p> <p>Chairman, President and CEO Marillyn Hewson will have trained her leadership team by May 1, which is the official launch of the 2019 training. Training will then flow through leadership in each of the business areas. Your business area will set your required completion date, which will be sometime in August.</p>

[22] Integrity minute (webpage)

Accessed 28/09/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics/integrity-minute.html>

Lockheed Martin's episodic "Integrity Minute" video series invites you to take a front-row seat in an ethical dilemma. The video series is produced by the Lockheed Martin Ethics Office, and content is derived from real Lockheed Martin Ethics investigations. Employees can watch new episodes as they are released or view the compilation after the final episode appears.

Q: Does the Lockheed Martin Integrity Minute replace annual ethics awareness training or compliance training?

A: No. All employees are still required to complete annual ethics awareness training, plus any business conduct compliance training courses.

[24] Ethics awareness training (webpage)

Accessed 28/09/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics/ethics-awareness-training.html>

Resources for Facilitators

- Leader's Guide (English)
- Guide du Formateur (French)
- Przewodnik dla Liderów (Polish)
- Guía para Líderes (Spanish)
- Lider Kilavuzu (Turkish)

[...]

It's not always easy to speak up, even when we know it's the right thing to do. The ability to effectively question and respectfully challenge is at the core of our capability to maintain high standards of integrity. Voicing our Values, Lockheed Martin's annual ethics awareness training, provides a forum for employees to see the roadblocks they can face in mustering the courage to address issues, and to explore how they might handle similar circumstances.

The 2019 annual training began with Lockheed Martin Chairman, President and CEO Marillyn Hewson, training her executive leadership team. The leaders trained by Marillyn Hewson then train their respective teams, and this cascade continues until all employees have participated in a training session facilitated by their manager.

During the training, participants view several video scenarios, which reflect real situations that have occurred, or might occur at Lockheed Martin. Participants discuss the cases and talk about how to apply the Voicing Our Values techniques (/content/dam/lockheedmartin/eo/documents/ethics/VOV_Techniques.pdf) - Ask Questions, Obtain Data, Talk to Others, Reframe the Issue, and how to Report Violations.

Our Ethics Awareness Training materials are made available on lockheedmartin.com to enable all employees to complete their annual training

[1] Code of Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf>

[p.22] We participate in training

WE SET THE STANDARD

- Our training is designed to help employees learn to execute our values through examples based on real situations in our work environment.
- You are required to complete your training by the specified due dates.
- Ethics Awareness Training is required annually of all employees, consultants and the Board of Directors.
- Business Conduct Compliance Training educates employees about specific compliance requirements. The target audience for each course is often role-specific.

- Audits are conducted for effective execution.

[5] Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf>

[p.3] Ethics Awareness Training and Business Conduct Compliance Training

3.9 All employees will receive ethics awareness training and business conduct compliance training.

3.10 Ethics awareness training discusses our business conduct standards and prepares you, as a Lockheed Martin employee, to recognize and react to situations that may require ethical decision

[p.4] making. It includes an ethics orientation for new employees, ethics tools for leaders, and annual live or online awareness training.

3.11 Business conduct compliance training focuses on the ethical, contractual, and legal responsibilities that apply to your job and the potential consequences of violations. It is required in areas that present substantial risk to the Corporation. Business conduct compliance training also helps prevent and detect criminal conduct and reinforces legal compliance.

3.12 Corporate Ethics directs and oversees the training program, including developing and distributing training materials. The Lockheed Martin Risk and Compliance Committee periodically reviews and approves the training program to ensure that it addresses areas presenting significant risk to the Corporation. Corporate Ethics will develop a compliance training plan, including subjects, target audiences, and course frequency. Business area Executive Vice Presidents and corporate department heads will implement the plan, ensuring that assigned compliance training is completed. Business area Executive Vice Presidents and corporate department heads also must develop, publish, and implement any supplemental compliance training plans required for their organizations.

[15] How the Ethics Process Works

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/how-ethics-process-works.pdf>

[p.4] A key tool to help employees understand and resolve ethical issues in the workplace is our annual Ethics Awareness Training. In addition, comprehensive Business Conduct Compliance Training, required of all employees, with additional requirements for certain target audiences, provides guidance and information on critical compliance topics.

Question
3.2. Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees: a) Employees in high risk positions, b) Middle management, c) Board members.
Score
2
Comments
<p>There is evidence that employees in certain positions receive additional, tailored anti-bribery and corruption training on an annual basis. The company states that these positions include middle management and employees in high-risk positions, for example based on geographical location. There is also evidence that board members and the executive leadership team are required to undertake tailored annual ethics training.</p>
Evidence
<p>[20] Business conduct compliance training (webpage) Accessed 28/09/2019 https://www.lockheedmartin.com/en-us/who-we-are/ethics/business-conduct-compliance-training.html Lockheed Martin regularly identifies the need for and develops focused supplementary training for groups of employees facing increased risk based on geographical location, and Ethics and Compliance training is required and provided on an annual basis to international consultants. Business conduct compliance training is required in areas that present substantial risk to the Corporation, including the below courses:</p> <p>[...]</p> <p>Gifts and Business Courtesies covers the giving and receiving of gifts and business courtesies and explains how to comply with anti-kickback and anti-corruption policies, laws and regulations (see also International Business Practices). This course is required to be taken annually by the CEO/President and Executive Vice Presidents or Company Vice Presidents/General Managers and their direct reports; all leader coded employees; all Control Account Managers; all employees in LM Government Affairs, LM International, Global Supply Chain, Legal, Contracts, Procurement and Ethics and Business Conduct.</p> <p>[...]</p> <p>International Business Practices teaches employees how to recognize and address situations that could lead to violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other applicable bribery, anti-boycott, or anti-corruption laws in the U.S. and other countries in which we do business (see also Gifts and Business Courtesies). This course is required to be taken annually by the CEO/President, Executive Vice Presidents or Company Vice Presidents/General Managers and their direct reports; all employees in Communications, Legal, Business Development, International Human Resources, Finance, Audit, Contracts, Procurement, Global Supply Chain Operations and International tax; employees in Project Management, Shipping and Traffic and Security positions; all employees in Ethics and Business Conduct, LM International and LM Government Affairs; employees whose work location is in a country that scores a 50 or below in the TI Corruption Perceptions Index; and employees who schedule international travel in the company travel system.</p> <p>[1] Code of Ethics and Business Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf [p.22] We participate in training</p> <p>WE SET THE STANDARD</p> <ul style="list-style-type: none"> • Our training is designed to help employees learn to execute our values through examples based on real situations in our work environment. • You are required to complete your training by the specified due dates.

- Ethics Awareness Training is required annually of all employees, consultants and the Board of Directors.
- Business Conduct Compliance Training educates employees about specific compliance requirements. The target audience for each course is often role-specific.

[15] How the Ethics Process Works

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/how-ethics-process-works.pdf>

[p.4] A key tool to help employees understand and resolve ethical issues in the workplace is our annual Ethics Awareness Training. In addition, comprehensive Business Conduct Compliance Training, required of all employees, with additional requirements for certain target audiences, provides guidance and information on critical compliance topics.

[21] FAQs 2019 Ethics Awareness Training

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/FAQs.pdf>

[p.2] 1. What is the training period for 2019 Ethics Awareness Training?

Chairman, President and CEO Marillyn Hewson will have trained her leadership team by May 1, which is the official launch of the 2019 training. Training will then flow through leadership in each of the business areas. Your business area will set your required completion date, which will be sometime in August.

[24] Ethics awareness training (webpage)

Accessed 28/09/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics/ethics-awareness-training.html>

The 2019 annual training began with Lockheed Martin Chairman, President and CEO Marillyn Hewson, training her executive leadership team. The leaders trained by Marillyn Hewson then train their respective teams, and this cascade continues until all employees have participated in a training session facilitated by their manager.

Question
3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?
Score
2
Comments
<p>There is evidence that the company reviews the effectiveness of its anti-bribery and corruption communications and personnel training programme. The company states that it does this by conducting staff surveys and audits of the programme, collecting data on training completion rates and the number of inquiries received, and discussions with subject matter experts. The company conducts these reviews on an annual basis and it is clear that the results of such reviews are used to update specific parts of the company's anti-bribery and corruption communications and training programme.</p>
Evidence
<p>[20] Business conduct compliance training (webpage) Accessed 28/09/2019 https://www.lockheedmartin.com/en-us/who-we-are/ethics/business-conduct-compliance-training.html Business conduct compliance training educates employees in every country where Lockheed Martin operates about the standards of conduct that apply to their jobs and the potential consequences of violations. Annually, we conduct a mandatory training review with our Subject Matter Experts (SMEs) who assist us with the review of the content, target audiences, and repeat intervals of our Business Conduct Compliance Training. Results of the annual review are presented to the Risk and Compliance Committee and any significant modifications requested require the committee's approval. Employees are also sent a survey after course completions to help measure the overall effectiveness of our business conduct compliance training.</p> <p>[5] Ethics and Business Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf [p.3] Lockheed Martin Executive Leadership Team and Ethics and Business Conduct Steering Committees</p> <p>3.8 Steering committees established under 3.7 will review metrics on investigations and requests for guidance, trends, and employee survey results; corporate ethics and compliance training; assessments of ethics program performance, including results of ethics program assessments and employee surveys; and ethics and compliance communications. The committees will develop appropriate action plans and may refer matters to the corporate Senior Vice President Internal Audit, Ethics & Sustainability who will refer matters to the Lockheed Martin Executive Leadership Team for consideration as appropriate.</p> <p>[p.4] 3.12 Corporate Ethics directs and oversees the training program, including developing and distributing training materials. The Lockheed Martin Risk and Compliance Committee periodically reviews and approves the training program to ensure that it addresses areas presenting significant risk to the Corporation. Corporate Ethics will develop a compliance training plan, including subjects, target audiences, and course frequency. Business area Executive Vice Presidents and corporate department heads will implement the plan, ensuring that assigned compliance training is completed. Business area Executive Vice Presidents and corporate department heads also must develop, publish, and implement any supplemental compliance training plans required for their organizations.</p> <p>[15] How the Ethics Process Works Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/how-ethics-process-works.pdf [p.6] How does Lockheed Martin measure the effectiveness of its ethics process?</p> <p>The Ethics Office conducts regular data analysis to identify trends and examine information about the types of contacts received, allegations reported, substantiation rate, and response time. This data is provided to executive leadership, Ethics Steering Committees, and the Nominating and Corporate Governance Committee of the Lockheed Martin Board of Directors for discussion and analysis.</p> <p>Results of our periodic employee census survey also provide a measure of the effectiveness of the ethics program through employee ratings and comments regarding ethics and integrity.</p>

Reporting Parties who bring concerns forward, as well as Subjects of investigations, are encouraged to complete a voluntary and confidential Feedback Survey about their experience during the ethics investigation process. This information helps improve the Ethics Program.

The Ethics Office also conducts internal ethics program assessments to assess program implementation and effectiveness, covering the businesses on a three year cycle.

[1] Code of Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf>

[p.22] We participate in training

- Audits are conducted for effective execution.

[37] 2018 Sustainability Report

Accessed 28/09/2019

https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/Lockheed_Martin_Sustainability_Report_Full_2018.pdf?_ga=2.52021929.1889726572.1569701320-89358915.1569486386

[p.15]

PROGRESS KEY



Goal in progress



Goal met

	Factors	Goals	Target Date	Progress
BUSINESS INTEGRITY	Anti-Bribery and Corruption Controls	Achieve 100 percent completion rate of applicable employee training on business courtesies and international Business Conduct Compliance Training (BCCT) modules.	2020	
		Achieve 100 percent completion rate of applicable training on ethics for business consultants.	2020	
		Assess risks for 100 percent of all international consultants and other consultants identified through audits.	2020	
	Responsible Sales	Maintain transparency of hardware exports made without regulatory authorizations as a percentage of all exports.	2020	
	Supplier Conduct	Increase participation in our virtual ethics supplier mentoring program.	2020	
	Ethical Governance and Leadership	Meet or exceed global benchmark for Ethics Index based on All Employee Survey.	2020	

[p.16] GOAL Meet or exceed global benchmark for Ethics Index based on All Employee Survey.

Progress: Starting in 2017, an Ethics Index based All Employee Survey is conducted biennially. The 2019 employee survey will provide additional data points for measuring progress on this goal.

[p.19] GOALS

Achieve 100 percent completion rate of applicable employee training on business courtesies and international BCCT modules.

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

Achieve 100 percent completion rate of applicable training on ethics for business consultants.

Progress: 85 percent of domestic consultants and 92 percent of international consultants completed applicable Lockheed Martin ethics training.

[19] Ethics (webpage)

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics.html>

Investigations and Reporting of Potential Misconduct

Lockheed Martin promptly and thoroughly investigates all alleged violations of laws, regulations, policies, procedures, or the Lockheed Martin Code of Ethics & Business Conduct, "Setting the Standard," that occur in the workplace or in off-premises situations with a relationship to the workplace or that affect the workplace. Potential violations may be identified through normal compliance channels or raised by whistleblowers and other concerned employees.

Metrics: Ethics Investigations and Requests for Guidance



[†] *Gartner State of the Compliance and Ethics Function 2018: Investigations and Discipline Findings.*

Cases	2016	2017	2018
Case Count	382	384	367
Cases per 1,000	4	4	4
Guidances	2016	2017	2018
Guidance Count	3,148	3,645	3,680
Guidances per 1,000	36	40	37

*The metrics provided represent investigations related to individuals regardless of organizational level.

**If any Ethics investigations were conducted into third parties, such as contractors or suppliers, they are included in the figures above.

***The metrics provided include investigations on reports from all sources, both internal and external, if any.

Question
3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
1
Comments
<p>There is evidence that the company's incentive schemes incorporate ethical and anti-bribery and corruption principles. Adherence with the company's ethical principles is included in annual performance assessments for all employees, which, in turn, are a factor in determining employee compensation.</p> <p>However, the company does not indicate that incentives must be proportionate to the employee's salary in the case of high risk employees, such as sales roles.</p>
Evidence
<p>[47] 2019 Sustainability Report Accessed 02/09/2020 https://sustainability.lockheedmartin.com/sustainability/downloads/Lockheed_Martin_Sustainability_Report_Full_2019.pdf [p.17] Incentive compensation for Lockheed Martin executives is linked to sustainability factors that we measure and report, including on topics such as diversity and talent management. See our 2020 Proxy Statement for details.</p> <p>[49] 2020 Proxy Statement Accessed 02/09/2020 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/annual-reports/2020-proxy-statement.pdf [p.45] Strategic & Operational Assessment (30% Weight). Our strategic and operational performance assessments are evaluated differently than financial performance assessments. For the 2019 performance year, a broad set of goals were established for our strategic and operational commitments at the beginning of the year, including goals tied to the development of new business, program performance, technological innovation, and executing on sustainability initiatives, such as achievement of pre-established measures and targets related to diversity and talent management. The strategic and operational performance goals are not measured against quantitative performance criteria for each goal, because some are aspirational, cannot be forecasted reliably or are qualitative in nature. When determining the overall payout factor, the Compensation Committee considers both quantitative and qualitative results and applies discretion when evaluating performance in totality. The strategic and operational performance goals and results are set forth below.</p> <p>[...]</p> <p>Assessment Summary Highlights</p> <p>[...]</p> <ul style="list-style-type: none"> • Met key milestones and continued progress toward Sustainability Management Plan goals relating to all of our core issues: Business Integrity, Product Impact, Employee Wellbeing, Resource Efficiency and Information Security <p>[19] Ethics (webpage) Accessed 15/12/2019 https://www.lockheedmartin.com/en-us/who-we-are/ethics.html All Lockheed Martin employees have included in their annual performance assessments an evaluation of their adherence to the Lockheed Martin ethical principles. Performance assessments are a significant factor in determining multiple aspects of the employee experience, including employee compensation.</p> <p>[27] Other Policies Related to Anti-Corruption Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf [p.8] Clawback and Other Protective Provisions</p>

[p.9] Lockheed Martin's Clawback Policy on variable pay, which was most recently enhanced in February 2019, is incorporated in its annual incentive program for executives and in the award agreements for long-term incentive awards. The Policy addresses all variable incentive compensation and applies not only to Officers of the Corporation but to lower level employees who participate in the Corporation's long-term incentive programs. Notably, Lockheed Martin's incentive programs also include an individual performance component with pre-established measures including but not limited to Full Spectrum Leadership and behavioural commitments aligning to the Corporation's core values (Do What's Right, Respect Others and Perform with Excellence).

[46] Full Spectrum Leadership

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/leadership-governance/full-spectrum-leadership.html>

Leadership imperatives at Lockheed Martin

A leader at Lockheed Martin must be able to:

[...]

Model Personal Excellence, Integrity and Accountability - Leaders at all levels are role models for employees, whether they intend to be or not. They must demonstrate a commitment to personal excellence and set a high standard for ethical behavior and integrity.

[37] 2018 Sustainability Report

Accessed 28/09/2019

https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/Lockheed_Martin_Sustainability_Report_Full_2018.pdf?_ga=2.52021929.1889726572.1569701320-89358915.1569486386

[p.11] Incentive compensation for Lockheed Martin executives is linked to sustainability factors that we measure and report, including on topics such as diversity and talent management. See our 2019 Proxy Statement for details.

[40] 2019 Proxy Statement

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/annual-reports/2019-proxy-statement.pdf>

[p.40] 2018 Named Executive Officers' Compensation

2018 Core Compensation Elements







Our compensation programs are designed to provide a mix of short- and long-term compensation, fixed and variable pay and cash and equity-based compensation, as well as to reflect our philosophy of providing pay for performance. Retirement programs or "all other compensation" are not included in our core compensation elements below (additional information about these programs can be found on page 50)

	Fixed		Variable		
	Base Salary	Annual Incentive	Long-Term Incentives		
WHAT?	Cash	Cash	50% PSUs	20% LTIP	30% RSUs
WHEN?	Annual	Annual	Equity 3-year Performance Cycle	Cash 3-year Performance Cycle	Equity 3-year Cliff Vesting
HOW?	Market rate, as well as internal pay equity, experience and critical skills	70% Financial 20% Sales, 40% Segment Operating Profit**, 40% Cash from Operations 30% Strategic & Operational Key Metrics: Focus Programs, Mission Success®, Program Performance, Portfolio Shaping Initiatives, Innovation, Talent Management Payout: 0-200% of target	Relative TSR* (50%) ROIC** (25%) Performance Cash** (25%) <ul style="list-style-type: none"> Award 0-200% of target # of shares Relative TSR measure capped at 100% if TSR is negative Value capped at 400% of stock price on date of grant times shares earned 	Value delivered through long-term stock price performance <ul style="list-style-type: none"> Payout: 0-200% of target Relative TSR measure capped at 100% if TSR is negative 	Value delivered through long-term stock price performance
WHY?	Provides competitive levels of fixed pay to attract and retain executives.	Attracts and motivates executives by linking annual company performance to an annual cash incentive.	Creates strong alignment with stockholder interests by linking long-term pay to key performance metrics and stock price. Provides a balance of internal and market based measures to assess long-term performance.		Promotes retention of key talent and aligns executive and stockholder interests.

* 2018-2020 Relative TSR performance is measured against our industry peers in the S&P 500 Aerospace & Defense Index (S&P Aerospace).

** Refer to Appendix A for an explanation of Non-GAAP terms as well as our disclosure regarding forward-looking statements concerning future performance or goals for future performance.

[p.42]

2018 Strategic & Operational Goals Summary		Assessment Summary Highlights
	Focus Programs: Secure key Focus Program wins and achieve Keep Sold Program milestones	<ul style="list-style-type: none"> 76% win rate on programs throughout the year Record orders of \$79 billion with record backlog at year-end of approximately \$130.5 billion More than 25 franchise wins and extensions >\$ 500M Total Program Value
	Mission Success: Achieve Mission Success milestones	<ul style="list-style-type: none"> Continued operational excellence with 100% Mission Success in targeted events Key program milestones achieved throughout the Corporation, including on F-35
	Program Performance: Execute programs to achieve customer commitments and increase stockholder value	<ul style="list-style-type: none"> Exceeded affordability goals and optimized subcontractor performance objectives Returned \$3.8 billion of Cash from Operations to our stockholders through dividends and share repurchases
	Portfolio Shaping / Enterprise Initiatives: Assess portfolio on an ongoing basis to maximize stockholder value, which includes M&A activity, streamlining operations and other enterprise initiatives	<ul style="list-style-type: none"> Key strategic partnerships launched to drive business growth Positioned business to invest in and implement digital transformation
	Innovation: Execute technology strategy, ensuring robust innovation, collaboration and strategic partnering	<ul style="list-style-type: none"> Achieved leading positions in hypersonics, directed energy, and other critical capabilities Large strategic investments with prioritized focus on transformational technologies
	Talent Management: Attract, develop and retain the workforce needed to deliver commitments to customers and stockholders	<ul style="list-style-type: none"> Exceeded retention rate target for top performers Enhanced development and succession placements for key executive positions Successfully executed diversity and inclusion initiatives Achieved staffing targets in key growth areas

Question
3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?
Score
2
Comments
<p>The company clearly states that any employee who refuses to act unethically will be protected and supported even where such actions result in a loss of business or another disadvantage to the company. There is evidence that the company assures itself of its employees' confidence in this commitment through confidential surveys.</p>
Evidence
<p>[47] 2019 Sustainability Report Accessed 02/09/2020 https://sustainability.lockheedmartin.com/sustainability/downloads/Lockheed_Martin_Sustainability_Report_Full_2019.pdf [p.20] Goals Meet or exceed global benchmark for Ethics Index based on All Employee Survey. Progress Progress: This year, the Ethics Index-based All Employee Survey improved to 84% favorable, exceeding the global benchmarking index of 76%.</p> <p>[19] Ethics (webpage) Accessed 15/12/2019 https://www.lockheedmartin.com/en-us/who-we-are/ethics.html We commit to supporting and protecting employees who refuse to act unethically. The corporation assesses employee beliefs in this commitment through regular confidential all-employee surveys that measure Ethics-related concepts such as ethical accountability, ethical leadership, and non-retaliation. In our most recent 2019 all-employee survey, we asked a total of sixteen (16) Ethics questions, such as: "I am comfortable raising concerns about compliance or ethics with my manager," "I can report unethical practices without fear of retaliation," "I do not feel pressure to compromise ethical or compliance standards to get my work done," and "Unethical behavior is not tolerated at Lockheed Martin."</p> <p>[2] Compliance with Anti-Corruption Laws Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf [p.1] Lockheed Martin will not engage in, or otherwise tolerate, any form of bribery or corruption in its business dealings. At times, observance of this commitment may place the Corporation in a noncompetitive business position; however, strict compliance with Lockheed Martin's Code of Ethics and Business Conduct, Setting the Standard, and this policy is of greater value to the Corporation than any business that may be lost.</p>

Question
3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?
Score
2
Comments
<p>The company promotes a clear policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents. There is evidence that this policy applies to all employees and third parties with whom the company does business. The company assures itself of its employees' confidence in this commitment through surveys.</p>
Evidence
<p>[1] Code of Ethics and Business Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf [p.9] We do not tolerate retaliation</p> <p>WE SET THE STANDARD</p> <ul style="list-style-type: none"> • We do not tolerate retaliation. • We take appropriate corrective action in response to violations of this Code, even if these actions are not always visible to you. • If someone tries to stop you from reporting an issue, that person can be subject to disciplinary action up to and including termination. • There is never a penalty for contacting the Ethics Office or any source in good faith. "Good faith" does not mean you have to be right, but it does mean you believe the information provided is truthful. <p>WHY WE DO IT</p> <ul style="list-style-type: none"> • Retaliation destroys trust and damages our ethical culture. • When you speak up, it gives us the opportunity to improve our overall culture and performance. <p>What is Retaliation?</p> <p>Retaliation is unfair or inappropriate treatment against an employee for reporting misconduct, filing a complaint, assisting another in making a complaint, participating in an internal investigation or making an ethics-related inquiry.</p> <p>Other Rights:</p> <p>U.S. law also entitles each Lockheed Martin employee to certain rights and protections against reprisals if the employee discloses, to certain governmental officials or to the Legal Department or Ethics Office, information that the employee reasonably believes is evidence of gross waste, mismanagement, abuse of authority, or violations of law related to U.S. government contracts, grants, or funds; or evidence of a substantial and specific danger to public health and safety.</p> <p>[2] Compliance with Anti-Corruption Laws Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf [p.2] Covered person - Any officers, members of the Board of Directors, or employees of Lockheed Martin Corporation and its subsidiaries within and outside the U.S., and by written agreement [...] any domestic or international representative, distributor, reseller, consultant, broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation or its subsidiaries.</p> <p>[p.13] 9.1 Lockheed Martin prohibits retaliation against anyone who in good faith reports misconduct.</p> <p>9.2 Any Covered Person, who suspects or becomes aware of any violation of this policy or any anti-corruption law, must immediately report the violation to the Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts or designee. Element Legal Counsel will investigate reported violations and</p>

report results to his or her business area Vice President & General Counsel and the Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts or designee for determination of any further actions that may be required.

9.3 Alternatively, any Covered Person, who suspects or becomes aware of any violation of this policy or any anti-corruption law, may report it directly to the element's Ethics Officer; or Ethics through the Ethics Helpline (anonymously, if desired) 1-800-LM-ETHIC (1-800-563-8442), corporate.ethics@lmco.com, or Ethics Lockheed Martin Corporation, 6801 Rockledge Drive, MP 211, Bethesda, MD 20817. Such reports will be immediately provided to the Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts for determination of any further actions.

[5] Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf>

[p.5] 3.19 Lockheed Martin prohibits retaliation against anyone who makes an inquiry or reports misconduct in good faith, believing the information provided is truthful. Retaliation is unfair or inappropriate treatment against an employee for reporting misconduct, filing a complaint, assisting another in making a complaint, participating in a company internal investigation, or making an ethics-related inquiry. Lockheed Martin will not tolerate retaliation against anyone who makes an inquiry, participates in an investigation, or reports misconduct in good faith. If you retaliate, you will be subject to disciplinary action, up to and including termination of employment. If you believe you have been the subject of retaliation, you should contact your Ethics Officer or Human Resources.

3.20 Every Lockheed Martin employee has all the rights and protections against reprisals as provided by law and regulation. These rights and protections include, for example, those in 41 U.S.C. 4712 (implemented by FAR 52.203-17, Contractor Employee Whistleblower Rights and Requirement to Inform Employees of Whistleblower Rights), 10 U.S.C. 2409 (implemented in DFARS 203.9, Whistleblower Protections for Contractor Employees), and 18 U.S.C. 1833(b) (Immunity from Liability for Confidential Disclosure of a Trade Secret to the Government or in a Court Filing). Lockheed Martin does not require employees or subcontractors seeking to report fraud, waste, or abuse to sign or comply with confidentiality agreements or statements that prohibit or otherwise restrict such employees or subcontractors from lawfully reporting such fraud, waste, or abuse to a designated investigative or law enforcement representative of a Federal department or agency authorized to receive such information.

[15] How the Ethics Process Works

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/how-ethics-process-works.pdf>

[p.3] Lockheed Martin does not tolerate retaliation against employees who raise concerns to any source in good faith. That means you do not have to be right, but it does mean that you believe the information provided is truthful.

Retaliation is unfair or inappropriate treatment against an employee for reporting misconduct, filing a complaint, assisting another in making a complaint, participating in a company internal investigation, or making an ethics-related inquiry. Lockheed Martin will not tolerate retaliation against anyone who makes an inquiry, participates in an investigation, or reports misconduct in good faith.

[19] Ethics (webpage)

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics.html>

We commit to supporting and protecting employees who refuse to act unethically. The corporation assesses employee beliefs in this commitment through regular confidential all-employee surveys that measure Ethics-related concepts such as ethical accountability, ethical leadership, and non-retaliation. In our most recent 2019 all-employee survey, we asked a total of sixteen (16) Ethics questions, such as: "I am comfortable raising concerns about compliance or ethics with my manager," "I can report unethical practices without fear of retaliation," "I do not feel pressure to compromise ethical or compliance standards to get my work done," and "Unethical behavior is not tolerated at Lockheed Martin." Lockheed Martin does not tolerate retaliation of any kind.

[16] Supplier Code of Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/supplier-code.pdf>

[p.1] Employees of our suppliers should have access to an adequate avenue of raising issues or concerns without fear of retaliation.

Question
3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?
Score
2
Comments
<p>The company has multiple internal advice channels and a whistleblowing line to seek advice on the company's anti-bribery and corruption programme and report instances of suspected corrupt activity. These channels are available to all employees in all countries of operation, as well as to third parties with whom the company does business. All the channels allow for confidential and anonymous reporting. The company also makes information available to its employees concerning an external hotline operated by the US Department of Defence.</p>
Evidence
<p>[1] Code of Ethics and Business Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf</p> <p>[p.2] WE SET THE STANDARD</p> <ul style="list-style-type: none"> • Our Code applies to all Lockheed Martin employees, members of the Board of Directors, consultants, contract laborers and other agents when they represent or act for the Corporation.* <p>[p.3] What are my responsibilities as a leader?</p> <p>As a leader, you can affect employee behavior through your words and conduct. Be aware that your actions could influence employees to act in a way that is contrary to our ethical standards, even if that is not your intent. The suggestions that follow will guide you in demonstrating ethical leadership.</p> <p>If someone approaches you with a question or concern:</p> <ul style="list-style-type: none"> • Thank the employee for coming forward • Listen carefully • Ask for clarification and additional information to ensure that you fully understand the question or concern • Answer any question that you can, but seek help if you need it before responding • You are not required to provide an immediate response, but should always follow up as soon as possible • If the concern requires investigation, refer it to the appropriate resource • If you are not sure whether an investigation is required, it is best to ask <p>[p.7] We report violations</p> <p>We set the standard</p> <ul style="list-style-type: none"> • You are responsible for reporting a violation or suspected violation of the Code, policy or a contract provision. • You must not take illegal or unethical action, even if it appears to benefit the Corporation or is directed by a higher authority in the organization. • You can, and should, consider how you might respond if faced with different types of ethical dilemmas or conflicts. <p>WHY WE DO IT</p> <ul style="list-style-type: none"> • We are committed to the highest standards of ethical conduct in our dealings with our constituencies. • Violations of the Code may result in disciplinary action up to and including termination. Failure to report may itself violate this Code. <p>You can report suspected violations to:</p> <ul style="list-style-type: none"> • Management

- Internal Audit
- Human Resources
- Energy, Environment, Safety and Health (EESH)
- Legal Department
- Ethics Office
- Security

[p.8] 1-800-LM ETHIC (1-800-563-8442) - Caller ID not used

For the Hearing or Speech Impaired: 1-800-441-7457

Fax: 1-301-897-6442

Internationally: when calling or faxing from outside the U.S., first dial the origin country's exit code

Email: corporate.ethics@lmco.com

Mail:

Corporate Ethics Office
Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, MD 20817

Audit Committee:

Employees may transmit concerns about accounting, internal controls or auditing matters and confidential or anonymous submission of questionable accounting or auditing matters to the Audit Committee of the Lockheed Martin Board of Directors. If you wish to raise a concern to the Audit Committee, you may do so by contacting the Corporate Ethics Office and your concern will be communicated to the Chair of the Audit Committee of the Board.

[19] Ethics (webpage)

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics.html>

There are several avenues for employees to report suspected misconduct, including through Management, the Ethics Office, the Legal Department, and Security. For a complete list of these avenues, all of which include the option for confidential and anonymous reporting, see the pamphlet How the Ethics Process Works. In addition, posters referencing external reporting channels, such as the Department of Defense (DOD) waste, fraud, and abuse hotline, are posted in Lockheed Martin facilities.

[2] Compliance with Anti-Corruption Laws

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf>

[p.2] Covered person - Any officers, members of the Board of Directors, or employees of Lockheed Martin Corporation and its subsidiaries within and outside the U.S., and by written agreement [...] any domestic or international representative, distributor, reseller, consultant, broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation or its subsidiaries.

[p.13] 9.2 Any Covered Person, who suspects or becomes aware of any violation of this policy or any anti-corruption law, must immediately report the violation to the Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts or designee. Element Legal Counsel will investigate reported violations and report results to his or her business area Vice President & General Counsel and the Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts or designee for determination of any further actions that may be required.

9.3 Alternatively, any Covered Person, who suspects or becomes aware of any violation of this policy or any anti-corruption law, may report it directly to the element's Ethics Officer; or Ethics through the Ethics Helpline (anonymously, if desired) 1-800-LM-ETHIC (1-800-563-8442), corporate.ethics@lmco.com, or Ethics Lockheed Martin Corporation, 6801 Rockledge Drive, MP 211, Bethesda, MD 20817. Such reports will be immediately provided to the Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts for determination of any further actions.

[5] Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf>

[p.4] Making Inquiries and Reporting Violations

3.14 If you are unsure what to do in a particular situation or need guidance on the Code, policies, procedures, or the law, consult your supervisor, manager, Human Resources, Legal Counsel, or the Ethics Office. It is always better to obtain guidance before acting.

3.15 If you have good reason to believe that a violation of laws, regulations, policies, procedures, or the Code has occurred, or you are asked to violate the same, you should not remain silent. You are responsible for reporting the violation or suspected violation, or any instances of significant employee misconduct, directly to your supervisor, manager, Human Resources, Ethics Office, Legal Counsel, or other appropriate functional organization. If your supervisor or manager is personally involved, report the violation to your Ethics Officer or Human Resources Business Partner. Depending on the circumstances, failure to report a violation or a suspected violation may itself violate the Code.

[p.5] 3.17 Questions, concerns, and reports may be directed to an Ethics Officer, Ethics Director, or through one of the toll-free Ethics HelpLines. Anyone wanting to reach the corporate Ethics office may do so by any of the following methods:

Call: 800-LM ETHIC
Domestic or International: 800-563-8442
For the Hearing or Speech Impaired: 800-441-7457

Write: Ethics Office
Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, MD 20817

Fax: 301-897-6442

E-mail: corporate.ethics@lmco.com

Ethics Ask Us: <https://ethics.corp.lmco.com/ethics/AskUs/index.cfm>

[15] How the Ethics Process Works

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/how-ethics-process-works.pdf>

[p.1] Who should I contact if I have a problem, question or concern? In general, start by discussing the situation with your supervisor or manager. If that is not practical or if your manager is not able to help you resolve the matter, it is your responsibility to continue to speak up and seek resolution. There are many resources you can talk to for help, including:

- Your supervisor
- Your manager
- Your Ethics Officer
- Your Human Resources Business Partner
- Equal Employment Opportunity investigator
- Legal
- Security
- Internal Audit
- Environment, Safety and Health
- Corporate Ethics Office

[p.2] For help locating your Ethics Officer or to report a concern:

- View your employee profile in Lockheed Martin's Enhanced White Pages (ewp.global.lmco.com). Click on the Properties tab.
- Look for the Ethics Officer posters on display in your facility.
- Call the Lockheed Martin HelpLine: 1-800-563-8442
- Send an email to corporate.ethics@lmco.com
- Post a question to Ask Us https://ethics.corp.lmco.com/New_Request

If you have a concern with the actions or decisions of an Ethics Officer, please contact the Business Area Ethics Director. If you have a concern with the actions or decisions of a Business Area Ethics Director, please contact the Vice President Ethics and Business Conduct.

If you have a concern with the actions or decisions of the Vice President Ethics and Business Conduct, please contact the Senior Vice President Ethics and Enterprise Assurance.

If you have a concern with the actions or decisions of the Senior Vice President Ethics and Enterprise Assurance, please contact the General Counsel and Corporate Secretary.

Reporting Specific Concerns to the Audit Committee of the Lockheed Martin Board of Directors

Employees may transmit concerns about accounting, internal controls or auditing matters and confidential or anonymous submission of questionable accounting or auditing matters to the Audit Committee of the Lockheed Martin Board of Directors.

If you wish to raise a concern to the Audit Committee, you may do so by contacting the Corporate Ethics Office and your concern will be communicated to the Chair of the Audit Committee of the Board.

What can you expect when you contact the Ethics Office?

Your Ethics Officer is a resource for you. If you have a question or need advice you will be provided with confidential guidance, often in the same phone call. Sometimes your Ethics Officer will help connect you with a subject matter expert to provide additional information. Other times, it may take a few days to get the information needed to provide guidance to you.

[p.3] If you have a concern, or observe misconduct or a violation that requires an investigation, your Ethics Officer will work with you and explain the ethics process.

When you contact the Ethics Office, here is what you can expect:

- Your concern is taken seriously.
- You are treated with dignity and respect.
- You are not required to identify yourself.
- Your communication with the Ethics Office is kept confidential to the greatest extent possible.
- You are kept informed during the investigation.
- You are contacted when the investigation is complete and informed as to whether the investigative finding is substantiated or unsubstantiated.

NOTE: You will not be advised of specific discipline for the subject of the investigation as their privacy will also be protected.

[16] Supplier Code of Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/supplier-code.pdf>

[p.1] Employees of our suppliers should have access to an adequate avenue of raising issues or concerns without fear of retaliation.

Please feel free to contact the Ethics Office with your comments/questions about the Code.

Call: 800-LM ETHIC (800-563-8442)

International: Dial the code for the United States and 800-563-8442

For the Hearing or Speech Impaired: 800-441-7457

Write: Office of Ethics and Business Conduct
Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, MD 20817

Fax: U.S. Access Code (if required) + 301-897-6442

E-Mail: corporate.ethics@lmco.com

4. Conflict of Interest

Question
4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?
Score
2
Comments
<p>There is evidence that the company formally addresses conflicts of interest as a corruption risk, and has a clear policy that defines conflicts of interest, including actual, potential and perceived conflicts. The policy explicitly covers all of the categories of possible conflicts listed in the scoring guidance, namely employee relationships, government relationships, financial interests and other employment. The company's policy applies to all employees and board members, including those of subsidiaries and other controlled entities.</p>
Evidence
<p>[10] CRX-014, Individual Conflict of Interest, Frequently Asked Questions and Illustrations Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/conflict-of-interest-faqs.pdf [p.1] Q. What is CRX-014, Individual Conflict of Interest, designed to prevent?</p> <p>The cross function procedure advises employees to avoid any activity, investment, or interest that might reflect unfavorably on Lockheed Martin. Employees should not engage in any activity that is prejudicial or detrimental to Lockheed Martin's reputation, business, or legal interest or that deprives Lockheed Martin of a legitimate benefit, nor should employees use their positions improperly in order to benefit Lockheed Martin, themselves, relatives, friends, or other business entities.</p> <p>Q. What are the guiding principles behind CRX-014?</p> <p>CRX-014 is based on the principles of fairness and reasonableness. The intent of this procedure is not to prohibit personal investments or activities, or to restrain personal conduct unless it is harmful to the Corporation, customers, or suppliers' interests. In most cases, questions regarding ethical conduct may be resolved by making full disclosure of the facts and obtaining management approval.</p> <p>Q. What is the most important point to remember about complying with CRX-014?</p> <p>Disclosure is the keystone. Many questions relating to conflict of interest may be avoided by timely and adequate disclosure of the facts to an appropriate member of Lockheed Martin management. This is normally one's supervisor or manager, but it could include your Legal Department or your Ethics Office, if necessary. Disclosure enables Lockheed Martin management to determine whether to consent to an activity regardless of the appearance of a conflict. It can only do so, however, if all the facts are known and no unethical or improper conduct is involved.</p> <p>Q. Why is disclosure of personal details required in CRX-014?</p> <p>Lockheed Martin does not wish to infringe on employees' personal lives or business affairs when there is no conflict with legitimate personal interests. However, employees assume certain obligations by virtue of their employment. Consistent with the commitment to maintain the highest possible reputation, Lockheed Martin expects all employees to advise management immediately, or in advance if possible, of any situation that could result in a conflict of interest or otherwise violate Lockheed Martin's policies or procedures.</p> <p>A seemingly harmless investment or activity entered into without unethical intent may easily raise suspicion in the mind of a third party. This is especially true when the third party is unfamiliar with all the facts. Often, such suspicion may result in injury to Lockheed Martin and</p> <p>[p.2] its reputation. Information that employees disclose about outside activities helps Lockheed Martin meet its obligation to act in a lawful and ethical manner and enables the Corporation to respond to the legitimate questions of its stockholders and others about the conduct of its business affairs.</p>

Q. What should one do if his or her employment responsibilities would lead him or her to conduct business on behalf of Lockheed Martin with a “family member” who works for a customer or supplier?

An employee’s business decisions should be based exclusively on Lockheed Martin’s best interests. If an employee’s duties include contact with an organization that employs a relative or other person with whom a significant personal relationship exists, he or she should take appropriate precautions to avoid a potential conflict of interest or even the appearance of preferential treatment. Lockheed Martin should not receive any undue advantage nor be prejudiced because of the personal relationship. When presented with such situations, an employee should consult with management and, if necessary, disqualify himself or herself from acting on behalf of Lockheed Martin. Disclosure of all the facts is essential where there is an actual or potential conflict.

Q. How does CRX-014 apply to employees’ personal financial interests?

Employees should either disclose or avoid financial interests with Lockheed Martin’s customers, suppliers, or competitors (organizations that offer similar products or services). Employees should be mindful of the following thresholds for disclosure of material ownership interests:

- exceeds one percent (1%) of such company’s publicly held securities;
- exceeds one percent (1%) of such company’s stock, or \$10,000, if it is not publicly held; or
- represents more than five percent (5%) of the employee’s net worth.

Ownership interests below these thresholds in a company whose transactions with Lockheed Martin are known to constitute a material portion of such company’s financial results or operations must likewise be disclosed. If a family member, as defined in CRX-014, has or acquires a material interest in a competitor, customer, or supplier, the Lockheed Martin employee must report it to his or her manager.

Q. Does this procedure cover other types of financial arrangements, such as personal loans?

Personal loans from banks and insurance and finance companies in the regular course of business are not within the scope of this procedure. If an employee deals with banks, finance companies, or other financial institutions in the course of his or her Lockheed Martin employment, the employee may not use his or her position to obtain loans from such organizations on terms that are not available to the public.

[p.3] Q. Does CRX-014 cover a personal conflict of interest within the Corporation?

Employees should not limit their consideration of questions of potential conflict of interest to whether the organization is a customer, competitor, or supplier of their business unit or function alone. Employees also should consider the question in relation to other business units, programs, functional departments, reporting relationships, and activities of the Corporation.

Section 4.16 of CRX-014 has two disclosure requirements. First, an employee must disclose if he or she has a reporting relationship with a family member or with someone with whom he or she has a romantic relationship. This includes situations where the employee is in a position to approve personnel actions or work assignments for or to approve expenditures by the other employee. Second, an employee serving in a director-level position or above must disclose if she or he has a family or romantic relationship with any employee who works in the same element or functional department – whether or not there is any direct or indirect reporting relationship.

Q. Does this procedure apply to employees who hold state or local government office or act in some official capacity for a public entity?

[p.4] Yes. CRX-014 prohibits employees having a personal conflict with the interests of Lockheed Martin. However, there may be additional legal prohibitions that apply to certain governmental service. (See CRX-014A, Conflict of Interest – Government Employment.) Employees who are considering serving as government officials or on government commissions or advisory groups should be familiar with applicable conflict of interest laws and regulations. In some instances, these laws and regulations may prohibit Lockheed Martin from dealing with the governmental body on which the employee serves, whether at the federal, state, or local level. Information on these types of conflict of interest laws or regulations should be obtained from the government organization or its legal counsel. However, the employee should first consult with his or her Legal Department.

Q. Does CRX-014 prohibit an employee from considering an outside business venture or employment in order to supplement his or her income?

A full-time, salaried employee is expected to devote his or her full time and attention to Lockheed Martin work during regular business hours and for whatever additional time may be required. Outside employment can easily create a conflict of interest or diminish productivity and effectiveness. For these reasons, employees must avoid outside business activities that unreasonably divert their time and talents from Lockheed Martin business. In any event, employees are prohibited from using Lockheed Martin time or resources in connection with outside business ventures or employment. Employees should disclose to management if they intend to become an officer or director of any entity. In addition, employees should not accept agent, consultant, or employment relationships with another entity without first making a disclosure to their management. Lockheed Martin encourages professional activities and community involvement, but if employees receive compensation for their efforts, special care must be taken so that employees do not compromise their duties to Lockheed Martin.

[1] Code of Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf>

[p.2] WE SET THE STANDARD

- Our Code applies to all Lockheed Martin employees, members of the Board of Directors, consultants, contract laborers and other agents when they represent or act for the Corporation.*

[p.17] We avoid conflicts of interest

WE SET THE STANDARD

- You must be fair and impartial in all business dealings.
- Our policies prohibit both an actual conflict of interest and activities that create the appearance of a conflict of interest. Avoid situations in which your personal interests might conflict, or appear to conflict, with Lockheed Martin's interests.
- Never use your contacts or position in the Corporation to advance outside or personal interests.
- Do not use our Corporation's property, information or opportunities for personal gain.
- You must provide written disclosure of actual or potential conflicts of interest as soon as you become aware of them.
- You have an annual obligation to certify your compliance with our conflict of interest policy.

WHY WE DO IT

- We are committed to the highest standards of ethical business conduct. We expect this of our employees, agents and Board of Directors. Agents include consultants, contract laborers and anyone else representing or acting for the Corporation.
- We have a responsibility to our stockholders to act in the best interests of the Corporation.
- The internal disclosure process reinforces our intention to conduct business with integrity.

What is a Personal Conflict of Interest?

A personal conflict of interest exists when you have divided loyalties - when you have a direct or indirect personal interest in a transaction or matter such that it might reasonably appear to affect the judgment you exercise on behalf of Lockheed Martin, influence your actions or lead you to neglect Lockheed Martin's business interests.

Our Conflict of Interest policy covers many situations, including these examples:

- Owning, or having a substantial interest in, a company that is a customer, competitor or a supplier.
- Family members - Doing business with a firm owned or controlled by a Lockheed Martin employee or their family.

[p.18] • Family relationships with persons employed by a supplier or competitor.

- Gifts - Acceptance of gifts, payments or services from those seeking to do business with Lockheed Martin.
- Outside business interests - Owning your own business or working for another business while employed by Lockheed Martin, using the same or similar professional skills or training used in the course of your employment.
- Multiple roles - Acting as an independent consultant to a Lockheed Martin customer or supplier, while employed by Lockheed Martin.
- Using assets for personal gain - Using our assets, intellectual property or proprietary information for personal gain.
- Subordinate employees - Having a close, personal relationship with a subordinate employee.
- Charitable endeavors - Using work time selling products to benefit charitable organizations or soliciting donations for such organizations.
- Government employees - Discussing employment with government employees, giving them gifts in violation of applicable laws or regulations or assigning off-limits roles to Lockheed Martin employees who are former government employees.

[p.19] We avoid conflicts of interest due to government employment

WE SET THE STANDARD

- We comply with all laws and regulations covering employing or acquiring the services of government employees.
- We avoid conflicts of interest in connection with employing or acquiring the services of current or former government employees. This includes current or former military personnel and other government employees.

WHY WE DO IT

- Our continued success and ability to compete in the marketplace depend on ensuring that we do not hire or work with current or former government employees in a manner that creates a real or perceived conflict of interest.

These rules:

- Apply to contact or negotiations with current government employees to discuss their potential employment by the Corporation or their use as consultants or subcontractors.
- May restrict the roles and responsibilities that former government employees may perform on our behalf after joining the Corporation.
- Can be complex. Always consult Lockheed Martin policy and seek the advice of Human Resources or the Legal Department.

[5] Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf>

[p.1] 1.3 We will communicate our standards of ethical conduct to our employees, agents, consultants, members of the Lockheed Martin Board of Directors, and others who represent or act for us, and will hold them accountable for their conduct.

[p.2] 2.0 Applicability

2.1 The Lockheed Martin ethics and business conduct program applies to all Lockheed Martin elements (as defined in CRX-003, Policies and Procedures), employees, the Board of Directors, and others who represent or act for us. The program is implemented through this policy, which applies to all elements and employees, and the Code, which applies to all elements, employees, the Board of Directors, and others who represent or act for us.

2.2 With respect to subsidiaries that are wholly owned or controlled by Lockheed Martin, the Responsible Organization (as defined in CRX-007, Wholly Owned Subsidiaries) will ensure that such entities have adopted, in substantial part, the Lockheed Martin ethics and business conduct program appropriate to the subsidiary's size and risk.

Question
4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?
Score
2
Comments
<p>There is evidence that the company has procedures in place to identify, declare and manage actual, potential and perceived conflicts of interest. The company requires that employees make a written disclosure of conflicts, and states that disciplinary measures will apply if the company's policies are breached. Potential conflicts of interest are held in a dedicated online depository. All employees have access to this depository, including the company's Legal Department, which has ultimate oversight and accountability for the handling of individual cases. The policy mentions some examples of criteria for recusal, though detail is limited since the policy is not publicly available.</p>
Evidence
<p>[10] CRX-014, Individual Conflict of Interest, Frequently Asked Questions and Illustrations Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/conflict-of-interest-faqs.pdf [p.1] Q. What is the most important point to remember about complying with CRX-014?</p> <p>Disclosure is the keystone. Many questions relating to conflict of interest may be avoided by timely and adequate disclosure of the facts to an appropriate member of Lockheed Martin management. This is normally one's supervisor or manager, but it could include your Legal Department or your Ethics Office, if necessary. Disclosure enables Lockheed Martin management to determine whether to consent to an activity regardless of the appearance of a conflict. It can only do so, however, if all the facts are known and no unethical or improper conduct is involved.</p> <p>Q. Why is disclosure of personal details required in CRX-014?</p> <p>Lockheed Martin does not wish to infringe on employees' personal lives or business affairs when there is no conflict with legitimate personal interests. However, employees assume certain obligations by virtue of their employment. Consistent with the commitment to maintain the highest possible reputation, Lockheed Martin expects all employees to advise management immediately, or in advance if possible, of any situation that could result in a conflict of interest or otherwise violate Lockheed Martin's policies or procedures.</p> <p>A seemingly harmless investment or activity entered into without unethical intent may easily raise suspicion in the mind of a third party. This is especially true when the third party is unfamiliar with all the facts. Often, such suspicion may result in injury to Lockheed Martin and [...] its reputation. Information that employees disclose about outside activities helps Lockheed Martin meet its obligation to act in a lawful and ethical manner and enables the Corporation to respond to the legitimate questions of its stockholders and others about the conduct of its business affairs.</p> <p>[p.2] Q. What should one do if his or her employment responsibilities would lead him or her to conduct business on behalf of Lockheed Martin with a "family member" who works for a customer or supplier?</p> <p>An employee's business decisions should be based exclusively on Lockheed Martin's best interests. If an employee's duties include contact with an organization that employs a relative or other person with whom a significant personal relationship exists, he or she should take appropriate precautions to avoid a potential conflict of interest or even the appearance of preferential treatment. Lockheed Martin should not receive any undue advantage nor be prejudiced because of the personal relationship. When presented with such situations, an employee should consult with management and, if necessary, disqualify himself or herself from acting on behalf of Lockheed Martin. Disclosure of all the facts is essential where there is an actual or potential conflict.</p> <p>Q. How does CRX-014 apply to employees' personal financial interests?</p> <p>Employees should either disclose or avoid financial interests with Lockheed Martin's customers, suppliers, or competitors (organizations that offer similar products or services). Employees should be mindful of the following thresholds for disclosure of material ownership interests:</p> <ul style="list-style-type: none"> • exceeds one percent (1%) of such company's publicly held securities;

- exceeds one percent (1%) of such company's stock, or \$10,000, if it is not publicly held; or
- represents more than five percent (5%) of the employee's net worth.

Ownership interests below these thresholds in a company whose transactions with Lockheed Martin are known to constitute a material portion of such company's financial results or operations must likewise be disclosed. If a family member, as defined in CRX-014, has or acquires a material interest in a competitor, customer, or supplier, the Lockheed Martin employee must report it to his or her manager.

Q. Does this procedure cover other types of financial arrangements, such as personal loans?

Personal loans from banks and insurance and finance companies in the regular course of business are not within the scope of this procedure. If an employee deals with banks, finance companies, or other financial institutions in the course of his or her Lockheed Martin employment, the employee may not use his or her position to obtain loans from such organizations on terms that are not available to the public.

[p.3] Section 4.16 of CRX-014 has two disclosure requirements. First, an employee must disclose if he or she has a reporting relationship with a family member or with someone with whom he or she has a romantic relationship. This includes situations where the employee is in a position to approve personnel actions or work assignments for or to approve expenditures by the other employee. Second, an employee serving in a director-level position or above must disclose if she or he has a family or romantic relationship with any employee who works in the same element or functional department – whether or not there is any direct or indirect reporting relationship.

[...]

Q. Does this procedure apply to employees who hold state or local government office or act in some official capacity for a public entity?

[p.4] Yes. CRX-014 prohibits employees having a personal conflict with the interests of Lockheed Martin. However, there may be additional legal prohibitions that apply to certain governmental service. (See CRX-014A, Conflict of Interest – Government Employment.) Employees who are considering serving as government officials or on government commissions or advisory groups should be familiar with applicable conflict of interest laws and regulations. In some instances, these laws and regulations may prohibit Lockheed Martin from dealing with the governmental body on which the employee serves, whether at the federal, state, or local level. Information on these types of conflict of interest laws or regulations should be obtained from the government organization or its legal counsel. However, the employee should first consult with his or her Legal Department.

Q. Does CRX-014 prohibit an employee from considering an outside business venture or employment in order to supplement his or her income?

A full-time, salaried employee is expected to devote his or her full time and attention to Lockheed Martin work during regular business hours and for whatever additional time may be required. Outside employment can easily create a conflict of interest or diminish productivity and effectiveness. For these reasons, employees must avoid outside business activities that unreasonably divert their time and talents from Lockheed Martin business. In any event, employees are prohibited from using Lockheed Martin time or resources in connection with outside business ventures or employment. Employees should disclose to management if they intend to become an officer or director of any entity. In addition, employees should not accept agent, consultant, or employment relationships with another entity without first making a disclosure to their management. Lockheed Martin encourages professional activities and community involvement, but if employees receive compensation for their efforts, special care must be taken so that employees do not compromise their duties to Lockheed Martin.

[27] Other Policies Related to Anti-Corruption

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf>

[p.6] CRX-014, Individual Conflict of Interest requires all Lockheed Martin employees and consultants to identify any actual or potential conflicts of interest and to continuously report such during the term of their employment or consulting agreement. The policy describes those activities which may constitute a potential conflict of interest, including former government employment ("revolving door restrictions"), third party employment and relationships, family and other significant relationships, work on certain government contracts, and organizational restrictions. The policy outlines the way Lockheed Martin employees and consultants are screened for potential conflicts of interest upon hire or engagement and the way employees and consultants should continue to formally disclose any

potential conflicts of interest. Lockheed Martin employees are required to formally disclose a potential conflict of interest using a dedicated online disclosure repository. This repository is accessible to all employees, including those responsible for managing the Conflict of Interest review process. Employees are required to annual certify that they either have disclosed a potential conflict of interest or that they do not have a potential conflict of interest. Although conflict of interest disclosures are reviewed by management, Human Resources, and Ethics as needed, the Lockheed Martin Legal Department has ultimate oversight and accountability for adjudicating conflicts of interest and is responsible for determining the existence of an actual conflict of interest and imposing any required mitigation plans or prohibitions. Some individuals with former government employment may be subject to specific restrictions, including, but not limited to, representational bans in which they are prohibited from communicating with and appearing before the government agency in which they formerly worked. The Senior Vice President, General Counsel & Corporate Secretary owns this cross-functional procedure. The Company reserves the right to discipline employees and consultants for violation of these policies, including but not limited to termination of their employment or engagement.

[1] Code of Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf>

[p.7] Violations of the Code may result in disciplinary action up to and including termination.

[p.17] WE SET THE STANDARD

- You must provide written disclosure of actual or potential conflicts of interest as soon as you become aware of them.
- You have an annual obligation to certify your compliance with our conflict of interest policy.

WHY WE DO IT

- The internal disclosure process reinforces our intention to conduct business with integrity.

Question
4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?
Score
2
Comments
<p>There is evidence that the company has a policy which includes controls to assess and regulate employment and offers of employment or consultancy engagements to current and recently departed public officials, including politicians. The company requires a conflict of interest review before an employment or consulting offer is made to a current or former government employee. The company's Legal Counsel is responsible for advising on post-employment restrictions, which may include permanent or one to two-year post-employment procedures. These restrictions may include a cooling-off period before public officials are permitted to have any form of contact or relationship with their former organisation on the company's behalf.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf</p> <p>[p.6] CRX-014, Individual Conflict of Interest requires all Lockheed Martin employees and consultants to identify any actual or potential conflicts of interest and to continuously report such during the term of their employment or consulting agreement. The policy describes those activities which may constitute a potential conflict of interest, including former government employment ("revolving door restrictions"), third party employment and relationships, family and other significant relationships, work on certain government contracts, and organizational restrictions.</p> <p>[...]</p> <p>Some individuals with former government employment may be subject to specific restrictions, including, but not limited to, representational bans in which they are prohibited from communicating with and appearing before the government agency in which they formerly worked. The Senior Vice President, General Counsel & Corporate Secretary owns this cross-functional procedure. The Company reserves the right to discipline employees and consultants for violation of these policies, including but not limited to termination of their employment or engagement.</p> <p>Cross-Functional Procedure CRX-014A, Conflict of Interest – Government Employment is a specific procedure that outlines Lockheed Martin's conflict of interest process applicable to the hiring of current or former government employees and to the acquisition of their services as consultants. This procedure identifies the circumstances in which government employees are required to provide a recusal letter from their applicable government agency prior to engaging in employment discussions with Lockheed Martin. This procedure also identifies circumstances in which prospective employees are required to provide Lockheed Martin with a written opinion letter issued by their appropriate government agency ethics office regarding the applicability of any post-government</p> <p>[p.7] employment restrictions to the individual's post-government employment, including but not limited to those activities the individual is expected to perform for Lockheed Martin. Lockheed Martin's Legal Counsel is responsible for reviewing and advising on a candidate's post- government employment restrictions, which the procedure indicates may be permanent, or may continue for a period of one or two years after the employee leaves the federal government. This procedure requires that a conflict of interest review occur before an offer is made or services acquired of a current or former government employee and identifies the process to be completed relevant to both prospective employees and consultants.</p> <p>[1] Code of Ethics and Business Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf</p> <p>[p. 17] Our Conflict of Interest policy covers many situations, including these examples:</p>

[p.18] • Government employees - Discussing employment with government employees, giving them gifts in violation of applicable laws or regulations or assigning off-limits roles to Lockheed Martin employees who are former government employees.

[p.19] We avoid conflicts of interest due to government employment

WE SET THE STANDARD

- We comply with all laws and regulations covering employing or acquiring the services of government employees.
- We avoid conflicts of interest in connection with employing or acquiring the services of current or former government employees. This includes current or former military personnel and other government employees.

WHY WE DO IT

- Our continued success and ability to compete in the marketplace depend on ensuring that we do not hire or work with current or former government employees in a manner that creates a real or perceived conflict of interest.

These rules:

- Apply to contact or negotiations with current government employees to discuss their potential employment by the Corporation or their use as consultants or subcontractors.
- May restrict the roles and responsibilities that former government employees may perform on our behalf after joining the Corporation.
- Can be complex. Always consult Lockheed Martin policy and seek the advice of Human Resources or the Legal Department.

[10] CRX-014, Individual Conflict of Interest, Frequently Asked Questions and Illustrations

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/conflict-of-interest-faqs.pdf>

[p.3] Q. Does this procedure apply to employees who hold state or local government office or act in some official capacity for a public entity?

[p.4] Yes. CRX-014 prohibits employees having a personal conflict with the interests of Lockheed Martin. However, there may be additional legal prohibitions that apply to certain governmental service. (See CRX-014A, Conflict of Interest – Government Employment.) Employees who are considering serving as government officials or on government commissions or advisory groups should be familiar with applicable conflict of interest laws and regulations. In some instances, these laws and regulations may prohibit Lockheed Martin from dealing with the governmental body on which the employee serves, whether at the federal, state, or local level. Information on these types of conflict of interest laws or regulations should be obtained from the government organization or its legal counsel. However, the employee should first consult with his or her Legal Department.

Question
4.4. Does the company report details of the contracted services of serving politicians to the company?
Score
1
Comments
<p>There is evidence that the company does not contract the services of acting or serving politicians due to national laws.</p> <p>However, it is not clear that the company prohibits such engagement as a matter of principle, even in countries where such activities are not prohibited by law.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf [p.1] Country laws, including criminal statutes, effectively preclude companies such as Lockheed Martin from retaining the services of active or serving politicians.</p>

5. Customer Engagement

5.1 Contributions, Donations and Sponsorships

Question
5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?
Score
0
Comments
There is evidence that the company has a policy on political contributions, which allows for donations in some circumstances in the United States. The company therefore receives a score of '0'.
Evidence
<p>[28] Political Disclosures (webpage) Accessed 28/09/2019 https://www.lockheedmartin.com/en-us/who-we-are/leadership-governance/board-of-directors/political-disclosures.html</p> <p>Lockheed Martin is committed to participating in the political and public policy process in a responsible and ethical way that serves the best interests of our stockholders and customers. We operate in the highly regulated global security industry, and our operations are affected by the actions of elected and appointed officials at many levels of government. Our public policy activities include advocacy efforts at the federal and state levels, thought leadership regarding global security trends, and other important issues impacting the Corporation and our customers, educational outreach and promotion, and other related activities.</p> <p>Lockheed Martin complies with all applicable laws and regulations in connection with the Company's political and public policy activities. Any political or other public policy activity in which Lockheed Martin engages, including political expenditures, comply with all internal policies and procedures, are made solely based upon the best interests of the Corporation and its stockholders, and are not based on personal agendas of individual directors, officers, or employees.</p> <p>Responsibility for managing and coordinating the Company's political and public policy activities lies with its Lockheed Martin Government Affairs function.</p> <p><u>Corporate Political Contributions and Expenditures</u> <i>Independent Expenditures.</i> Lockheed Martin has not spent any direct corporate funds on independent expenditure communications to the general public that expressly advocate the election or defeat of a clearly identified federal candidate, and has no present plans to spend direct corporate funds on such communications.</p> <p><i>International Contributions.</i> Lockheed Martin does not contribute money, assets, property or other things of value to any foreign candidates or political committees.</p> <p><i>State Contributions.</i> In certain states where permitted by law, Lockheed Martin makes corporate political contributions in accordance with established criteria, including candidates and political committees whose positions on business issues are important to the Corporation; candidates who represent geographic areas where Corporate facilities are located; or candidates who have leadership positions or committee assignments that are important to the Corporation's interests. All corporate contributions are fully disclosed with the appropriate state or local campaign finance authority, as well as published on this website.</p> <p><i>527 Political Organizations.</i> Lockheed Martin does not provide funding to 527 political organizations that are not registered as a federal or state political committee, with the exception of the Democratic Governors Association (DGA), Republican Governors Association (RGA) and the National Governors Association (NGA).</p> <p><i>Political Action Committee.</i> In accordance with federal law, Lockheed Martin does not make corporate contributions to federal candidates or federal political committees. The Corporation supports candidates for federal office through the Lockheed Martin Employees' Political Action Committee (LMEPAC). The LMEPAC is funded exclusively through voluntary contributions from eligible employees and directors; employees participating in the LMEPAC are not reimbursed, directly or indirectly, for political contributions or expenses. The Lockheed Martin Employees'</p>

Political Action Committee (LMEPAC) supports federal and state political candidates who support national defense and other business issues of interest to the corporation. Disbursements by the LMEPAC are made solely based upon the best interests of the Corporation and its stockholders, and are not based on personal agendas of individual directors, officers, or employees.

Trade Associations. Lockheed Martin contributes to public policy debates by participating in trade and industry associations, as well as engaging directly in advocacy and grassroots communications efforts. In the U.S. we advocate strong national defense, sustained space exploration, development of alternative energy technologies, corporate tax issues (including tax incentives for corporate research and development), export policy and international trade.

Governance

All decisions regarding corporate political and public policy activities are managed by the Senior Vice President, Lockheed Martin Government Affairs, following coordination with individual Lockheed Martin elements in accordance with established policies and procedures. The Ethics and Sustainability Committee of the Corporation's Board of Directors, which is composed entirely of independent directors, oversees our advocacy efforts, government affairs activities and political spending, receives reports from management on these matters, supervises the policies and reviews the purposes and benefits of these activities. The Corporation's political activities are audited on a regular basis in accordance with the Corporation's established audit schedule. Outside legal counsel provides regular guidance regarding compliance with all applicable laws and regulation of political activities.

Decisions regarding the Lockheed Martin Employees Political Action Committee are made by the PAC's board of directors. The Board meets several times a year to set PAC policy and approve PAC budgets and contributions. The Board is composed of representatives from several Corporate functional areas and business units.

Oversight and Audits

Lockheed Martin conducts annual audits of the lobbying reporting process and its PAC.

[27] Other Policies Related to Anti-Corruption

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf>

[p.1] CPS-004, Political Activity prohibits contributions or donations of any type to non-U.S. candidates, parties or political committees. Lockheed Martin discloses its U.S. Corporate State Contributions, Governors Association Contributions, and LMEPAC Disbursements, as well as its policy on engagement in lobbying activities and the issues on which the Corporation lobbies, publicly on our Political Disclosures webpage. Country laws, including criminal statutes, effectively preclude companies such as Lockheed Martin from retaining the services of active or serving politicians.

[...]

Lockheed Martin policy CPS-004 states that no Lockheed Martin funds, property, services, or other items of value, will be contributed, loaned, or made available, directly or indirectly, to any political party, committee, or candidate, or to the campaign of any candidate for a federal office. This includes the work time of any employee and use of the Corporation's facilities, including aircraft.

CPS-004 states that under no circumstances will any money, assets, property, or other thing of value of the Corporation or any of its subsidiaries or other legal entities be contributed, loaned, or made available to any foreign candidate, party, or political committee.

CPS-004 identifies the corporate roles involved in oversight of Lockheed Martin lobbying activity: The Senior Vice President Lockheed Martin Government Affairs, the Vice President & General Counsel-Government Affairs, and the Vice President, State, Local & Political Action Committee (PAC) Affairs, as appropriate.

[1] Code of Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf>

[p.2] Our Code applies to all Lockheed Martin employees, members of the Board of Directors, consultants, contract laborers and other agents when they represent or act for the Corporation.*

[p.35] WE SET THE STANDARD

We follow corporate policy and the law concerning the political process in all countries where we do business.

WHY WE DO IT

- We uphold the spirit and letter of all laws relating to our participation in the political process.
- Laws governing political contributions, gifts and lobbying are complex. Even unintended violations can result in loss of business opportunities, damage to our reputation and civil and criminal penalties.

Prohibited

- Using any Lockheed Martin funds, assets or facilities for the benefit of political parties or candidates anywhere in the world without obtaining prior written approval of Government Affairs, or Lockheed Martin International for political activities outside of the United States.
- Many countries, in addition to the United States, may prohibit corporate political contributions. This may include donating corporate funds, goods or services, directly or indirectly, to political candidates, including employee work time.
- Local and state laws may limit corporate political contributions and activities.

Use Caution

Contact Government Affairs or Lockheed Martin International (for political activities outside of the United States) for any of the following issues:

[p.36]

- U.S. Congressional and Executive Branch — It is important that Lockheed Martin present a single, consistent business message to our U.S. based customer community. Government Affairs works with business areas to develop a united approach to the Corporation's U.S.-based marketing initiatives and policy, regulatory and legislative strategies. To this end, Government Affairs must authorize any interaction with U.S. Congressional members or Executive Branch officials in Washington, D.C. or their employees and staff.
- Individual Political Contributions — Some state and local laws may restrict, limit or require disclosure of personal political contributions made by individual employees or their immediate family members.

[p.36] Permitted

You are encouraged to:

- Participate in the Lockheed Martin Employees' Political Action Committee, if eligible.
- Participate personally in civic affairs and the political process on your own time, and at your own expense.
- Support the political parties and candidates of your choice.

[2] Compliance with Anti-Corruption Laws

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf>

[p.8] 8.7 Consistent with CPS-004, Political Activity, under no circumstances will any money, assets, property, or other thing of value to the Corporation, any of its subsidiaries or other legal entities be contributed, loaned, or made available to any non-U.S. candidate, party, or political committee.

[5] Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf>

[p.1] 1.3 We will communicate our standards of ethical conduct to our employees, agents, consultants, members of the Lockheed Martin Board of Directors, and others who represent or act for us, and will hold them accountable for their conduct.

[p.2] 2.1 The Lockheed Martin ethics and business conduct program applies to all Lockheed Martin elements (as defined in CRX-003, Policies and Procedures), employees, the Board of Directors, and others who represent or act for us. The program is implemented through this policy, which applies to all elements and employees, and the Code, which applies to all elements, employees, the Board of Directors, and others who represent or act for us.

2.2 With respect to subsidiaries that are wholly owned or controlled by Lockheed Martin, the Responsible Organization (as defined in CRX-007, Wholly Owned Subsidiaries) will ensure that such entities have adopted, in

substantial part, the Lockheed Martin ethics and business conduct program appropriate to the subsidiary's size and risk.

Question
5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?
Score
2
Comments
<p>The company publishes information on its political contributions, including details of the recipient, amount, and state of the recipient. As identified in the previous question, the company only makes corporate political contributions in the United States and through the Lockheed Martin Corporation entity, so these disclosures can be interpreted as covering all political donations made by the company. There is evidence that the data is updated on an annual basis.</p>
Evidence
<p>[28] Political Disclosures (webpage) Accessed 28/09/2019 https://www.lockheedmartin.com/en-us/who-we-are/leadership-governance/board-of-directors/political-disclosures.html Corporate Political Contributions and Expenditures</p> <p><i>Independent Expenditures.</i> Lockheed Martin has not spent any direct corporate funds on independent expenditure communications to the general public that expressly advocate the election or defeat of a clearly identified federal candidate, and has no present plans to spend direct corporate funds on such communications.</p> <p><i>International Contributions.</i> Lockheed Martin does not contribute money, assets, property or other things of value to any foreign candidates or political committees.</p> <p><i>State Contributions.</i> In certain states where permitted by law, Lockheed Martin makes corporate political contributions in accordance with established criteria, including candidates and political committees whose positions on business issues are important to the Corporation; candidates who represent geographic areas where Corporate facilities are located; or candidates who have leadership positions or committee assignments that are important to the Corporation's interests. All corporate contributions are fully disclosed with the appropriate state or local campaign finance authority, as well as published on this website.</p> <p><i>527 Political Organizations.</i> Lockheed Martin does not provide funding to 527 political organizations that are not registered as a federal or state political committee, with the exception of the Democratic Governors Association (DGA) and the Republican Governors Association (RGA). Lockheed Martin maintains memberships in the DGA and RGA as a means to support our operations in all fifty states. In over half of the states in which we operate we employ from a thousand to over twenty thousand people. We do not consult with the DGA and RGA regarding the expenditure of their funds. The primary contact with the DGA and RGA is Larry Duncan, Vice President of Federal and State Government Relations and PAC Affairs.</p> <p><i>Political Action Committee.</i> In accordance with federal law, Lockheed Martin does not make corporate contributions to federal candidates or federal political committees. The Corporation supports candidates for federal office through the Lockheed Martin Employees' Political Action Committee (LMEPAC). The LMEPAC is funded exclusively through voluntary contributions from eligible employees and directors; employees participating in the LMEPAC are not reimbursed, directly or indirectly, for political contributions or expenses. The Lockheed Martin Employees' Political Action Committee (LMEPAC) supports federal and state political candidates who support national defense and other business issues of interest to the corporation. Disbursements by the LMEPAC are made solely based upon the best interests of the Corporation and its stockholders, and are not based on personal agendas of individual directors, officers, or employees. All LMEPAC contributions are fully disclosed in reports filed with the Federal Election Commission (FEC) and can be accessed by going to the FEC website (http://www.fec.gov/), as well as published on this website.</p> <p>[29] Corporate State Contributions 2018 Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/Corporate-State-Contributions-2018.pdf <p>[p.1]</p></p>

Democratic Party of Georgia \$5,000
 Republican Party of Georgia \$5,000
 Kemp for Governor (GA) \$5,000

[30] Governors Association Contributions 2018

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/Governors-Association-Contributions-2018.pdf>

[p.1]

Democratic Governors Association \$0
 Republican Governors Association \$0

[31] LMEPAC Disbursements – 2018

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/LMEPAC-Disbursements-2018.pdf>

[p.1]



Lockheed Martin 2018 LMEPAC Disbursements

State	Member	Party	Office	District	Total
ALASKA					
Denali Leadership PAC	Murkowski, Lisa	R	Leadership PAC		\$5,000.00
True North PAC	Sullivan, Daniel	R	Leadership PAC		\$5,000.00
Alaskans For Don Young	Young, Don	R	U.S. HOUSE	AL	\$500.00
Sullivan For Us Senate	Sullivan, Daniel	R	U.S. SENATE		\$1,000.00
ALABAMA					
American Security PAC	Rogers, Mike	R	Leadership PAC		\$5,000.00
Defend America PAC	Shelby, Richard	R	Leadership PAC		\$5,000.00
RBA PAC (Reaching for Brighter America)	Aderholt, Robert	R	Leadership PAC		\$5,000.00
Terri PAC	Sewell, Terri	D	Leadership PAC		\$5,000.00
Aderholt for Congress	Aderholt, Robert	R	U.S. HOUSE	4	\$2,000.00
Gary Palmer For Congress	Palmer, Gary	R	U.S. HOUSE	6	\$2,000.00
Martha Roby For Congress	Roby, Martha	R	U.S. HOUSE	2	\$5,000.00
Mike Rogers For Congress	Rogers, Mike	R	U.S. HOUSE	3	\$2,000.00
Mo Brooks for Congress	Brooks, Mo	R	U.S. HOUSE	5	\$6,000.00
Terri Sewell For Congress	Sewell, Terri	D	U.S. HOUSE	7	\$1,000.00
Doug Jones For Senate	Jones, Doug	D	U.S. SENATE		\$1,000.00
ARKANSAS					
Arkansas for Leadership PAC	Boozman, John	R	Leadership PAC		\$5,000.00

[continued over 14 pages]

Question
5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?
Score
1
Comments
<p>There is evidence that the company has policies covering both charitable donations and sponsorships. The company's policy on charitable contributions sets financial limits, describes the type of organisations that are eligible to receive donations, and specifies a procedure to document, review and approve donations through the Corporate Contributions Committee. Similar provisions are outlined for sponsorships under the gifts, hospitality and business courtesies policy.</p> <p>However, the company does not publish details regarding the in-kind or financial charitable contributions it makes on an annual basis, including the recipient, amount, country of recipient and which corporate entity made the payment.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf</p> <p>[p.1] The Lockheed Martin policy on Gifts and Hospitality, CPS-008, provides specific guidance on the exchange of gifts, hospitality, and other business courtesies and sponsorships. CPS-008 states that it applies to all officers, members of the Board of Directors, and employees of the Corporation and its subsidiaries within and</p> <p>[p.2] outside the U.S., and, by written agreement, all appropriate provisions shall apply to any domestic or international representative, distributor, reseller, consultant, broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation.</p> <p>[p.5] CRX-251 Charitable Contributions defines spending limits and allocation of direct and in-kind contributions; describes the type of organizations that are eligible recipients of a charitable contribution; and specifies that contributions must be documented, reviewed, and approved by the Corporate Contributions Committee and Subcommittees via an online charitable contribution system. The policy prohibits charitable contributions to any public official or entity where there is a likelihood that the contribution may directly or indirectly be used to improperly influence a public official. Lockheed Martin charitable initiatives are outlined publicly on our In The Community webpage. Sponsorships, as distinct from charitable contributions, are governed by CPS-008, Gifts, Business Courtesies, Other Hospitality and Sponsorships. CPS-730, Compliance with Anti-Corruption Laws, prohibits offering or making any contribution or sponsorship to any person or entity to induce an improper action or secure an improper business advantage.</p> <p>[2] Compliance with Anti-Corruption Laws Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf</p> <p>[p.7] Gifts, Hospitality, Other Business Courtesies and Sponsorships</p> <p>8.4 A Covered Person will not offer or provide any gifts, hospitality or other items, including cash or cash-equivalent gifts, sponsorships, or anything to any person or entity to induce improper action or secure an improper business advantage.</p> <p>[p.8] 8.5 CPS-008 sets forth the specific guidance, limits, and necessary approvals for offering or receiving any business courtesy or sponsoring any event. Where a proposed offering or provision will exceed stated value thresholds or otherwise not comply with the applicable CPS-008 guidelines (including the country-specific International Hospitality Rules) concerning non-U.S. public officials and non-U.S. commercial relations, Covered Persons must seek pre-approval from their element Legal Counsel as required by CPS-008. Element Legal Counsel will review and coordinate legal concurrence for any exceptions, consulting with his or her respective BAAC or a Lockheed Martin International Associate General Counsel, as appropriate.</p>

8.8 The Corporation may make charitable contributions in accordance with CRX-251, Charitable Contributions. Under no circumstances may a charitable contribution be made at the suggestion, request, or at the behest of any public official to obtain any improper advantage; or to a charity owned, controlled, or connected to a public official. Before a contribution is authorized, the responsible Covered Person must ensure that element Legal Counsel has conducted sufficient due diligence to ensure compliance with the requirements of CRX-251.

[4] Gifts, Hospitality, Other Business Courtesies, and Sponsorships

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-008.pdf>

[p.21] 8.0 Sponsorships

8.1 Sponsorships will be consistent with Lockheed Martin values and will not create, or create the appearance of, a bribe, kickback or other corrupt practice or be used to circumvent or otherwise violate this policy relating to the giving of business courtesies. No sponsorship may be undertaken to directly or indirectly procure future business or otherwise be made with the intent to obtain or retain business, secure an improper advantage, or induce anyone to act improperly.

8.2 Sponsorships which meet all of the following criteria may be undertaken without review by legal counsel:

- The sponsorship amount is less than or equal to \$25,000 USD;
- The sponsored organization is not owned, controlled by, or associated with a government, government organization, or public official;
- The sponsorship is not requested by, or at the behest of, a government office or public official;
- No award of any business project is conditioned upon the sponsorship in any way;
- The sponsorship payment is made to an organization and not to any individual person(s);
- There is a written record of the sponsorship payment and purpose in accordance with Lockheed Martin policies and procedures; and
- The sponsored organization signs and returns the Compliance Certification–Sponsorship (U.S.) or Compliance Certification–Sponsorship (Non-U.S.) form as applicable. The form may not be substantially modified without prior approval from Legal (see section 9.0).

[34] In the community (webpage)

Accessed 28/09/2019

<https://www.lockheedmartin.com/en-us/who-we-are/communities.html>

We strive to be a valued partner to our neighbors, our nation and our ally countries. The corporation primarily supports science, technology, engineering, and mathematics (STEM) education and military and veteran causes.

As part of its efforts to educate and inspire tomorrow's scientists, engineers and mathematicians, Lockheed Martin's approach to STEM outreach includes support for programs, events and campaigns that focus on student achievement, teacher development, and gender and ethnic diversity.

And to help give back to those who give so much for our nation, Lockheed Martin is dedicated to supporting service members with programs that improve their lives and the lives of their families, enhance educational and training opportunities, and honor their selfless duty to our country.

These causes reflect the values embodied in our employees and intrinsic to the Lockheed Martin culture. Stated simply, our employees care. They are talented professionals, but it is their genuine concern for others that helps make Lockheed Martin an exceptional contributor to the public good.

Lockheed Martin invests more than \$26 million worldwide to nonprofit organizations, focusing on STEM education and military/veteran causes. In addition, employees donate \$11.7 million annually to various organizations through workplace-giving campaigns and employee-focused programs.

[12] Compliance Certification Sponsorships (Non-US Recipient)

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/compliance-certification-sponsorships-non-us.docx>

[p.1] To ensure the requested Sponsorship is in accordance with the laws of the United States and the laws of , Lockheed Martin requests that you acknowledge and confirm the following:

- (1) This Sponsorship is made by Lockheed Martin Corporation to assist the Recipient Organization, an entity organized under the laws of with its stated purpose of . All money contributed to the

Recipient Organization by Lockheed Martin shall be used solely in compliance with both U.S. and law to achieve that stated purpose.

- (2) The request for the donation of these funds was not made at the suggestion, request nor at the behest of any Public Official nor is any Public Official connected with this request or the Recipient Organization in any way.
- (3) The Recipient Organization is not an agency, organization, association, or instrumentality of any government, any political party or a public international organization, and is not otherwise owned, in whole or in part, or controlled by any government or any political party or Public Official, or an official of a public international organization.
- (4) No money contributed by Lockheed Martin shall be paid, directly or indirectly, to or for the benefit of any Public Official or otherwise paid, directly or indirectly, to or for the benefit of any political party, or Public Official or organization, or a public international organization, to improperly influence any Public Official, government employee, or candidate for public office, or any official of a public international organization, in the performance of his or her official duties, or to obtain any improper advantage.

Recipient agrees that the Sponsorship payment shall be deposited in a properly designated bank account and will be accurately recorded on Recipient's accounting records. Recipient further certifies that all registrations or other authorizations required by any division, office, or agency of the Recipient's government to receive this Sponsorship have been obtained.

5.2 Lobbying

Question
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?
Score
2
Comments
<p>There is evidence that the company has a policy on lobbying which applies to all employees, board members and agents acting on the company's behalf. The company states that it is committed to responsible lobbying, and provides some examples of what this entails. The company indicates that it has specific controls and oversight mechanisms for its lobbyists, such as conducting audits of its lobbying reporting process and evaluations of registered lobbyists on an annual basis. The company also states that all employees, board members, contractors and contract laborers are required to adhere to the company's Code of Conduct, which outlines the corruption risks associated with lobbying, throughout the lobbying process.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf</p> <p>[p.1] CPS-004, Political Activity prohibits contributions or donations of any type to non-U.S. candidates, parties or political committees. Lockheed Martin discloses its U.S. Corporate State Contributions, Governors Association Contributions, and LMEPAC Disbursements, as well as its policy on engagement in lobbying activities and the issues on which the Corporation lobbies, publicly on our Political Disclosures webpage. Country laws, including criminal statutes, effectively preclude companies such as Lockheed Martin from retaining the services of active or serving politicians.</p> <p>Lockheed Martin is committed to responsible lobbying.</p> <p>CPS-004 identifies the corporate roles involved in oversight of Lockheed Martin lobbying activity: The Senior Vice President Lockheed Martin Government Affairs, the Vice President & General Counsel-Government Affairs, and the Vice President, State, Local & Political Action Committee (PAC) Affairs, as appropriate.</p> <p>The Lockheed Martin Code of Conduct identifies Lockheed Martin's values and standards of conduct when acting on behalf of the company, and states that the Code applies to all Lockheed Martin employees, members of the Board of Directors, consultants, contract laborers and other agents when they represent or act for the Corporation.</p> <p>[p.4] CRX-010, U.S. Business Development Consultants applies to U.S. Business Development consultants, including lobbyists, by Lockheed Martin and its wholly-owned subsidiaries. The policy specifies the methods used for management of all such consultants, including the use of an Agreement Monitor responsible for the</p> <p>[p.5] oversight, administration, and direction of the consultant's activities and compliance with this policy. Attachments to this policy provide detailed internal controls for overseeing consultant activities, including requirements for initial screening and approval of the consultant, requirements for regular activity reports that describe the consultant activity dates, purpose, persons visited and subject matter discussed, and requirements for ongoing evaluation of the activities, performance, and conduct of the consultants.</p> <p>CRX-011, International Business Development Consultants applies to consultants, representatives, agents, resellers, distributors, and offset brokers and establishes the requirements for due diligence (including verification of their associated persons and ultimate beneficial owners), oversight, and monitoring of consultant activities for anti-corruption compliance. All consultant agreements contain affirmative anti-corruption compliance representations and warranties. Breach of any warranty or representation, or failure or refusal by the consultant to provide requested certifications or disclosures, are cause for immediate termination. No consultant may be retained without a sufficient business case justification, including that the proposed compensation is reasonable and consistent with any applicable laws or regulations; certain types and amounts of compensation are subject to escalated approval authority in the Corporation. No consultant agreement may be entered for an improper purpose, e.g. "disguised"</p>

or supplemental compensation, and no payment of any kind can be made to a consultant without a written contract and approval of the Corporation. Each consultant agreement includes a clause granting the Corporation the right to audit the consultant's financial books and records, as they relate to transactions with or on behalf Lockheed Martin, and an annual risk assessment and audit of selected consultants is conducted by Corporate Internal Audit.

Through its policies, guidelines, consultant agreements, and practices, Lockheed Martin ensures that its compensation to its consultants comports with ethical behavior and does not encourage corrupt practices. Lockheed Martin policy prohibits and will not authorize any sales-based commission to an International Business Development Consultant (including any agent) in excess of 10% in any circumstance, regardless of the value of the proposed sale or the expected size of a commission payment. In addition, Lockheed Martin pays contracted-for compensation to its consultants only in staged payments over the course of their contracts, as earned and stated in clearly invoiced milestones, and transfers payments only to a consultant's local bank account unless a justified exception based on law and approval of the Legal Department is granted.

[28] Political Disclosures (webpage)

Accessed 28/09/2019

<https://www.lockheedmartin.com/en-us/who-we-are/leadership-governance/board-of-directors/political-disclosures.html>

Lockheed Martin is committed to participating in the political and public policy process in a responsible and ethical way that serves the best interests of our stockholders and customers. We operate in the highly regulated global security industry, and our operations are affected by the actions of elected and appointed officials at many levels of government. Our public policy activities include advocacy efforts at the federal and state levels, thought leadership regarding global security trends, and other important issues impacting the Corporation and our customers, educational outreach and promotion, and other related activities.

Lockheed Martin complies with all applicable laws and regulations in connection with the Company's political and public policy activities. Any political or other public policy activity in which Lockheed Martin engages, including political expenditures, comply with all internal policies and procedures, are made solely based upon the best interests of the Corporation and its stockholders, and are not based on personal agendas of individual directors, officers, or employees.

Responsibility for managing and coordinating the Company's political and public policy activities lies with its Lockheed Martin Government Affairs function.

Trade Associations. Lockheed Martin contributes to public policy debates by participating in trade and industry associations, as well as engaging directly in advocacy and grassroots communications efforts. In the U.S. we advocate strong national defense, sustained space exploration, development of alternative energy technologies, corporate tax issues (including tax incentives for corporate research and development), export policy and international trade.

Lockheed Martin pays regular dues to several trade associations. Some trade associations utilize a portion of membership dues for non-deductible state and federal lobbying and political expenditures. Per the requirements of Section 162(e)(1) of the Internal Revenue Code, the trade associations to which we contribute must provide us with the percentage of our annual dues that are attributable to lobbying expenses. A listing of the trade associations to which Lockheed Martin paid dues of \$50,000 or more in a single year and the portion of these dues not deductible under Section 162(e)(1) of the Internal Revenue Code are published on this website.

Lobbying Expenditures. Lockheed Martin lawfully engages in the legislative process to communicate its views on legislative and regulatory matters affecting the Company's business. Federal lobbying activities are regulated by the Lobbying Disclosure Act (LDA).

Governance

All decisions regarding corporate political and public policy activities are managed by the Senior Vice President, Lockheed Martin Government Affairs, following coordination with individual Lockheed Martin elements in accordance with established policies and procedures. The Ethics and Sustainability Committee of the Corporation's Board of Directors, which is composed entirely of independent directors, oversees our advocacy efforts, government affairs activities and political spending, receives reports from management on these matters, supervises the policies and reviews the purposes and benefits of these activities. The Corporation's political activities are audited on a regular basis in accordance with the Corporation's established audit schedule. Outside

legal counsel provides regular guidance regarding compliance with all applicable laws and regulation of political activities.

Oversight and Audits

Lockheed Martin conducts annual audits of the lobbying reporting process and its PAC. It also conducts annual evaluations by its agreement monitors of all consultants, including registered lobbyists. Consultant Agreements are also subject to recurring, periodic audits by Lockheed Martin.

[1] Code of Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf>

[p.2] Our Code applies to all Lockheed Martin employees, members of the Board of Directors, consultants, contract laborers and other agents when they represent or act for the Corporation.*

[p.35] We respect the political process

WE SET THE STANDARD

We follow corporate policy and the law concerning the political process in all countries where we do business.

WHY WE DO IT

- We uphold the spirit and letter of all laws relating to our participation in the political process.
- Laws governing political contributions, gifts and lobbying are complex. Even unintended violations can result in loss of business opportunities, damage to our reputation and civil and criminal penalties.

Use Caution

Contact Government Affairs or Lockheed Martin International (for political activities outside of the United States) for any of the following issues:

- Lobbying — Lobbying can be direct or indirect, but either way, it is highly scrutinized. You must follow all applicable rules and regulations, particularly avoiding violations — even unintentional — of corporate policy and federal rules concerning gifts and lobbying.

[p.36]

- U.S. Congressional and Executive Branch — It is important that Lockheed Martin present a single, consistent business message to our U.S. based customer community. Government Affairs works with business areas to develop a united approach to the Corporation's U.S.-based marketing initiatives and policy, regulatory and legislative strategies. To this end, Government Affairs must authorize any interaction with U.S. Congressional members or Executive Branch officials in Washington, D.C. or their employees and staff.
- State and Local Governments — Government Affairs must authorize any interaction with state and local government officials on behalf of Lockheed Martin.
- Non-U.S. Governments — You must know and follow corporate policies and procedures before contacting any member or employee of a non-U.S. entity.

Question
5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?
Score
1
Comments
<p>The company publishes some information on its lobbying topics and activities in the United States by making its quarterly federal lobbying reports publicly available on its website.</p> <p>However, the company does not provide details about its broader public policy aims or positions. The company also does not publish any information about its lobbying activities outside of the United States.</p>
Evidence
<p>[33] Lobbying Report 4th Quarter 2018 Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/Lobbying-Report-4th-Quarter-2018.pdf [p.2] 15. General issue area code BUD (Budget) 16. Specific lobbying issues</p> <div style="border: 1px solid black; padding: 5px;"> <p>S 3159/HR 6157 - Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019 including issues related to procurement, Research Development Test Evaluation (RDTE), aviation programs, air and missile defense programs, special operations, Overseas Contingency Operations (OCO), procurement, Operations & Maintenance (O&M); S 3073/HR 6147 - Interior, Environment, Financial Services and General Government, Agriculture, Rural Development, Food and Drug Administration, and Transportation, Housing and Urban Development Appropriations Act, 2019 including issues related to the modernization of the U.S. Forest Service aerial fleet of aircraft for wildland firefighting activities; S 270/HR 761 - Pension and Budget Integrity Act of 2017 to prohibit the use of premiums paid to the Pension Benefit Guaranty Corporation (PBGC) premiums from being counted as general revenue for purposes of budgetary scorekeeping amend the Employee Retirement Income Security Act of 1974 (ERISA) to exclude the receipt and disbursement of the PBGC from the federal budget; HR 695 - Continuing appropriations for seven remaining appropriations bills, Agriculture; Commerce, Justice, Science; Financial Services and General Government; Homeland Security; Interior; State, Foreign Operations; and Transportation, Housing and Urban Development including issues related to aircraft programs, technology programs, helicopters; Future defense appropriations provisions, including issues related to aircraft, helicopters and technology programs; S 3277 - Space Frontier Act of 2018 including issues related to commercial space authorities; HR 5503 - National Aeronautics and Space Administration Authorization Act of 2018 including issues related to deep space exploration ; S 140 - Frank LoBiondo Coast Guard Authorization Act of 2018 including issues related to global positioning system backup; S 3072/HR 5952 - Commerce, Justice, Science, and Related Agencies Appropriations Act, 2019 including issues related to space programs and deep space exploration; S 2987/HR 5515 - John S. McCain National Defense Authorization Act for Fiscal Year 2019 including issues related to defense programs, procurement, RDTE, OCO, O&M; S 3109/HR (not yet introduced) - Department of Homeland Security Appropriations Act, 2019 including issues related to Coast Guard funding; HR 21 - Consolidated Appropriations Act, 2019 including issues related to aircraft programs, technology programs, helicopters; S 3108/HR 6385 - Department of State, Foreign Operations, and Related Programs Appropriations Act, 2019 including issues related to aircraft programs, technology programs, helicopters</p> </div> <p>17. House(s) of Congress and Federal agencies <input type="checkbox"/> Check if None</p> <div style="border: 1px solid black; padding: 5px;"> <p>U.S. SENATE, U.S. HOUSE OF REPRESENTATIVES, Air Force - Dept of, Army - Dept of (Other), Defense - Dept of (DOD), Navy - Dept of, State - Dept of (DOS), Agriculture - Dept of (USDA), Homeland Security - Dept of (DHS)</p> </div>

[p.3] 15. General issue area code DEF (Defence)

16. Specific lobbying issues

S 3159/HR 6157 - Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019, Titles III, IV, IX including issues related to shipbuilding, radar programs, directed energy programs, missile defense sensors, aircraft programs, helicopters, technology programs, space programs, intelligence programs, RDTE, OCO, O&M, procurement, missile programs; S 2987/HR 5515 - John S. McCain National Defense Authorization Act for Fiscal Year 2019, PL 115-232, Title VIII including issues related to shipbuilding, aircraft programs, helicopters, technology programs, acquisition policy, space programs, intelligence programs, RDTE, OCO, O&M, procurement; HR 6237 - Intelligence Authorization Act for Fiscal Year 2019 including issues related to intelligence collection, cybersecurity, security investigations; S 1761 - Intelligence Authorization Act for Fiscal Year 2018 including issues related to intelligence collection, cybersecurity, security investigations; S (not yet introduced)/HR (not yet introduced) - National Defense Authorization Bill for FY2020 including issues related to aircraft programs, technology programs, helicopters; S (not yet introduced)/HR (not yet introduced) - Department of Defense Appropriations Bill for FY2020 including issues related to aircraft programs, technology programs, helicopters; HR 695 - Continuing appropriations for remaining appropriations bills, Agriculture; Commerce, Justice, Science; Financial Services and General Government; Homeland Security; Interior; State, Foreign Operations including any provisions related to aircraft programs, helicopters, technology programs

17. House(s) of Congress and Federal agencies ☐ Check if None

U.S. SENATE, U.S. HOUSE OF REPRESENTATIVES, Air Force - Dept of, Army - Dept of (Other), Defense - Dept of (DOD), Navy - Dept of, State - Dept of (DOS), Agriculture - Dept of (USDA), Homeland Security - Dept of (DHS)

[p.5] 15. General issue area code HOM (Homeland Security)

16. Specific lobbying issues

S 3109/HR (not yet introduced) - Department of Homeland Security Appropriations Act, 2019 including issues related to helicopter modernization and Coast Guard funding

17. House(s) of Congress and Federal agencies ☐ Check if None

U.S. HOUSE OF REPRESENTATIVES, U.S. SENATE

[p.9] 15. General issue area code TRD (Trade)

16. Specific lobbying issues

S 3108 - Department of State, Foreign Operations, and Related Programs Appropriations Act, 2019 including issues related to international aircraft sales; Discussions related to congressional notifications of potential foreign sales of defense equipment

17. House(s) of Congress and Federal agencies ☐ Check if None

U.S. SENATE, U.S. HOUSE OF REPRESENTATIVES

Question
5.2.3 Does the company publish full details of its global lobbying expenditure?
Score
1
Comments
<p>The company publishes some details of its lobbying expenditure, by making its federal quarterly lobbying reports up to the most recently reported financial year available on its website.</p> <p>However, this expenditure data is not broken down into internal, external or association lobbyists and does not include an explanation of how these figures have been calculated. Furthermore, the company does not publish its lobbying expenditure worldwide.</p>
Evidence
<p>[28] Political Disclosures (webpage) Accessed 28/09/2019 https://www.lockheedmartin.com/en-us/who-we-are/leadership-governance/board-of-directors/political-disclosures.html <i>Lobbying Expenditures.</i></p> <p>[...]</p> <p>In accordance with the LDA, the Company files quarterly disclosure reports with the Clerk of the House and Secretary of the Senate regarding payments for all federal lobbying activities. These reports disclose all direct and indirect expenses related to lobbying, expenditures for grassroots efforts, and payments to trade associations that are used for lobbying. The reports are available here (http://disclosures.house.gov/ld/ldsearch.aspx). (Search Field: "Registrant Name" Criteria: "Lockheed").</p> <p>In states where the Corporation is engaged in advocacy efforts and is registered to lobby, the Corporation files reports as required with the state ethics agency. Lockheed Martin files all lobbying disclosure reports at the federal and state level in a complete and timely manner in accordance with applicable requirements.</p> <p>[33] Lobbying Report 4th Quarter 2018 Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/Lobbying-Report-4th-Quarter-2018.pdf <p>[p.1]</p></p>

TYPE OF REPORT8. Year 2018 Q1 (1/1 - 3/31) ☐ Q2 (4/1 - 6/30) ☐ Q3 (7/1 - 9/30) ☐ Q4 (10/1 - 12/31) ☒9. Check if this filing amends a previously filed version of this report ☐10. Check if this is a Termination Report ☐

Termination Date _____

11. No Lobbying Issue Activity ☐**INCOME OR EXPENSES - YOU MUST complete either Line 12 or Line 13****12. Lobbying**

INCOME relating to lobbying activities for this reporting period was:

Less than \$5,000 ☐\$5,000 or more ☐ \$ _____

Provide a good faith estimate, rounded to the nearest \$10,000, of all lobbying related income for the client (including all payments to the registrant by any other entity for lobbying activities on behalf of the client).

13. Organizations

EXPENSE relating to lobbying activities for this reporting period were:

Less than \$5,000 ☐\$5,000 or more ☒ \$ 3,060,000.00**14. REPORTING** Check box to indicate expense accounting method. See instructions for description of options.☐ **Method A.** Reporting amounts using LDA definitions only☐ **Method B.** Reporting amounts under section 6033(b)(8) of the Internal Revenue Code☒ **Method C.** Reporting amounts under section 162(e) of the Internal Revenue CodeSignature Digitally Signed By: Gregory J. WaltersDate 1/22/2019
4:50:25 PM**[43] Lobbying Report 3rd Quarter 2018**

Accessed 14/10/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/Lobbying-Report-3rd-Quarter-2018.pdf>

[p.1]

TYPE OF REPORT8. Year 2018 Q1 (1/1 - 3/31) ☐ Q2 (4/1 - 6/30) ☐ Q3 (7/1 - 9/30) ☒ Q4 (10/1 - 12/31) ☐9. Check if this filing amends a previously filed version of this report ☐10. Check if this is a Termination Report ☐

Termination Date _____

11. No Lobbying Issue Activity ☐**INCOME OR EXPENSES - YOU MUST complete either Line 12 or Line 13****12. Lobbying**

INCOME relating to lobbying activities for this reporting period was:

Less than \$5,000 ☐\$5,000 or more ☐ \$ _____

Provide a good faith estimate, rounded to the nearest \$10,000, of all lobbying related income for the client (including all payments to the registrant by any other entity for lobbying activities on behalf of the client).

13. Organizations

EXPENSE relating to lobbying activities for this reporting period were:

Less than \$5,000 ☐\$5,000 or more ☒ \$ 3,280,000.00**14. REPORTING** Check box to indicate expense accounting method. See instructions for description of options.☐ **Method A.** Reporting amounts using LDA definitions only☐ **Method B.** Reporting amounts under section 6033(b)(8) of the Internal Revenue Code☒ **Method C.** Reporting amounts under section 162(e) of the Internal Revenue CodeSignature Digitally Signed By: Gregory J. WaltersDate 10/22/2018
4:47:36 PM**[32] Trade Association Dues – 2018**

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/Trade-Association-Dues-2018.pdf>

[p.1]

2018

Trade Association Dues
(Annual dues of \$50,000 or more)



<u>Trade Association</u>	<u>Nondeductible Portion of Dues Paid (ranges of \$25,000)¹</u>
Business Roundtable	Less than \$275,000
National Association of Manufacturers	Less than \$75,000
Telecommunications Industry Association	Less than \$25,000
U.S. Chamber of Commerce	Less than \$50,000
Texas Association of Manufacturers	Less than \$50,000

5.3 Gifts and Hospitality

Question
5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?
Score
2
Comments
<p>There is evidence that the company has a policy on the giving and receipt of gifts and hospitality, with clear procedures designed to ensure that such promotional expenses are bona fide and not used as vehicles for bribery. This policy establishes financial limits, along with an approval procedure, for the different types of promotional expense that employees may encounter. The policy also explicitly addresses the risks associated with gifts and hospitality given to and/or received from public officials by specifying different approval procedures. There is evidence that gift and hospitality approvals are recorded in a central register accessible to those responsible for oversight of the process.</p>
Evidence
<p>[4] Gifts, Hospitality, Other Business Courtesies, and Sponsorships Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-008.pdf [p.5] 4.1 It is your responsibility as a Lockheed Martin employee to ensure that the offer or receipt of anything of value is permitted by law and regulation, does not violate the rules and standards of the recipient's organization, is consistent with reasonable marketplace customs, complies with this policy, and will not adversely affect the reputation of or embarrass Lockheed Martin. It is your responsibility to ensure that business courtesies are not lavish and could not reasonably be construed as an attempt to secure favorable treatment.</p> <p>4.2 If you are involved in the evaluation of products or services for potential use, or you are involved in the oversight or evaluation of supplier performance, or where your duties include the negotiation of contracts or concessions you must be especially diligent in avoiding actions that could be perceived as favoritism or unfair dealing. Employees in these roles have extra restrictions regarding the acceptance of business courtesies.</p> <p>4.3 Lockheed Martin will fully cooperate with regulatory and law enforcement authorities in the investigation and prosecution of anti-corruption laws. In addition to potential criminal or civil penalties, violations of anti-corruption laws and this policy may result in disciplinary action, up to and including termination of employment or contract.</p> <p>4.4 You are required to report any suspected or known violations of this policy. You should report violations of this policy directly to your supervisor, manager, Human Resources, Ethics Office, element legal counsel, or other appropriate functional organization. If your supervisor or manager is personally involved, report the violation to your Ethics Officer or Human Resources Business Partner. Lockheed Martin prohibits retaliation against anyone who, in good faith, reports suspected misconduct.</p> <p>4.5 If you offer or approve expenditures for business courtesies, you must ensure that all expenses and transactions are accurately recorded with reasonable detail, are given in the course of business, and could not reasonably be construed as improper inducements. Payments made on behalf of Lockheed Martin will include adequate supporting documentation to accurately describe the nature and purpose of any payment.</p> <p>5.0 General Guidelines</p> <p>5.1 You may only offer, give, or accept business courtesies that are within applicable law and regulation, the policies of both Lockheed Martin and the recipient of the business courtesy. You may only offer or give sponsorships that are within applicable law and regulation, and the policies of both Lockheed Martin and the recipient of the sponsorship. You may not offer, give, or accept any business courtesy or sponsorship that may be questionable, controversial, or reflect negatively on Lockheed Martin's reputation.</p> <p>[p.6] 5.4 You are prohibited from giving a gift or business courtesy of cash, cash equivalents, or gift card/certificate to business relations.</p>

[p.8]

If you are:	You may accept: Note: You may request an exception to these limits from your Ethics Officer (see section 9.0)
Not involved in the process of directing Lockheed Martin business or funds to the business relation offering the business courtesy <u>and</u> Not in Global Supply Chain Operations (GSCO)	<ul style="list-style-type: none"> • Unsolicited business meals and refreshments that are reasonable under the circumstances and when there is a clear business purpose. • A gift card/certificate to a specific retailer with a value of \$25 USD or less. • Other business courtesies with a fair market value of \$100 USD or less. • You may also accept any courtesy listed under Other Acceptable Business Courtesies.
In GSCO	No business courtesies except the following: <ul style="list-style-type: none"> • Unsolicited meals and refreshments, of reasonable value, offered by a business relation only in the course of a meeting or other business-related activity at the business relation's site. • Promotional items, provided that the cumulative fair market value of such items from that business relation in any calendar year is \$20 USD or less. • The courtesies listed under Other Acceptable Business Courtesies that are not expressly prohibited for GSCO.
Involved in the process of directing Lockheed Martin business or funds to the business relation offering the business courtesy and Not in GSCO. Note: Examples of directing Lockheed Martin business or funds to a business relation include using a commercial card to make purchases from the business relation, formally or informally evaluating the business relation's performance to maintain business with Lockheed Martin, and involvement in generating requisitions, establishing procurement requirements, conducting market research of potential suppliers, or participating	No business courtesies except the following: <ul style="list-style-type: none"> • Unsolicited business meals and refreshments that are considered reasonable under the circumstances and when there is a clear business purpose. • Promotional items, provided that the cumulative fair market value of such items from that business relation in any calendar year is \$20 USD or less. • Courtesies, from that business relation, listed under Other Acceptable Business Courtesies that are not expressly prohibited for those involved in the process of directing Lockheed Martin

[p.9]

in the source selection of a prospective Lockheed Martin procurement involving the business relation.	business or funds to the business relation making the offer.
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6.4 If you receive a tangible business courtesy – either to you individually, or on behalf of Lockheed Martin – exceeding the guidelines in this policy that cannot be returned immediately, or where local customs and practices make it inappropriate to decline, you must give the item to your Ethics Officer for disposition. The Ethics Office will secure the item and record it in a log. An Ethics Director, who may consult with element legal counsel, will determine disposition of the item.

[...]

Entertainment over \$100 USD

6.5 If you are not in GSCO or otherwise directing Lockheed Martin business or funds to that business relation, you may accept entertainment that exceeds a fair market value of \$100 USD if it is not considered lavish or extravagant and is offered as part of the general admission to an event with a bona fide business purpose with broad participation (e.g., an air show or trade show). Acceptance of invitation-only entertainment offered at such events, or as standalone activities, requires pre-approval from your Ethics Officer.

[p.11] 7.1 All business courtesies offered on behalf of Lockheed Martin must be directly related to Lockheed Martin business (that is, the sale of its products and services) or directly in support of its business interests. You may only offer business courtesies that are reasonable, customary, and appropriate for the occasion (not considered lavish or extravagant). Business courtesies must be presented openly and transparently.

[p.13] 7.9 Unless other limits are provided in the International Hospitality Rules for non-U.S. commercial relations, you may provide meals and refreshments within these U.S. dollar equivalent limits per person, per day:

- Breakfast—\$50 USD
- Lunch—\$100 USD
- Dinner—\$150 USD
- Refreshments—\$50 USD

[p.15] Political Appointees

7.18 In addition, Executive Order 13770 imposes stricter limitations on the giving or offering of business courtesies to certain U.S. government political appointees than the limitations that apply to other U.S. executive branch employees. Business courtesies that are allowable for such political appointees are identified within the paragraphs below for U.S. executive branch employees. All other types of business courtesies offered to such political appointees must have prior approval from your Ethics Officer, who may consult with element legal counsel (see section 9.0).

[p.18] Business Courtesies to U.S. Legislative Branch Employees

General

7.29 You may offer only the business courtesies described in this section to U.S. legislative branch employees. Before offering other business courtesies, you must receive approval from your element legal counsel (see section 9.0). Although it is the responsibility of government employees to know their own rules (U.S. House of Representatives Rules for members of the House of Representatives, representatives' staff, and House committees' staff; and U.S. Senate Rules for members of the Senate, senators' staff, and Senate committees' staff), you must not knowingly provide business courtesies that exceed these limits.

[9] Gifts, Hospitality, Other Business Courtesies, and Sponsorships. Frequently Asked Questions.

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-008-faqs.pdf>

[p.1] 1.1 Who's in charge of deciding what's ok to give or accept? It is each employee's responsibility to ensure that business courtesies are not offered or received except as permitted in CPS-008. There are several resources available for employees when questions arise. Employees should consult with their Ethics Officer or element legal counsel before accepting or giving gifts or business courtesies when the appropriateness is unclear. In addition, the Protocol Office can offer advice on etiquette, cultural considerations, and other questions regarding the appropriateness of planned business courtesies.

[p.6] Gifts to U.S. Legislative Branch Employees

3.2 What is the fair market value that should be used for a Member or staffer to reimburse Lockheed Martin for an event ticket? The fair market value of an event ticket is the face value of the ticket as sold to the public. If a ticket does not have a face value (such as a private skybox ticket):

Senate gift rules require that the value of the ticket must be determined by comparing it to a similar ticket, taking into account all features of the ticket including access to parking, availability of food and refreshments, and access to areas not open to the public. If no similar ticket exists, the event ticket must be valued at the highest cost of a ticket with a face value sold to the public for the event.

House gift rules require that the event ticket be valued at the highest cost of a ticket with a face value sold to the public for the event.

Gifts to U.S. Executive Branch Employees

3.4 What is Executive Order 13770 and "The Ethics Pledge"?

Executive Order 13770, also known as the "Ethics Pledge," puts limits on acceptance of business courtesies by Presidential Appointees that are more restrictive than the general rules for U.S. Executive Branch employees. These individuals are generally prohibited from accepting items that other Executive Branch employees would normally be able to accept. If your planned business courtesy involves such an individual, review CPS-008's section on Business Courtesies to U.S. Executive Branch Employees (Military or Civilian) for specifics. If you still have questions, contact the Ethics Office.

[11] Gifts, Hospitality, Other Business Courtesies Support Tool (webpage)

Accessed 28/09/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics/decision-tree/index.html#>

Welcome to the Lockheed Martin Gifts, Hospitality, Other Business Courtesies Support Tool

This tool is designed as a resource to assist Lockheed Martin employees and others when making decisions about actions that may involve gifts, hospitality, other business considerations, and sponsorships as covered by policy CPS-008. While you may view the full policy at any time, the Decision Tree allows you to answer a series of simple questions that may provide guidance regarding specific situations.

[1] Code of Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf>

[p.15] We provide and accept appropriate business courtesies

WE SET THE STANDARD

- Avoid the perception that favorable treatment is being sought, received or given in exchange for business courtesies.
- Ensure that the offered business courtesy is permitted by law and policy.
- Verify that the rules of the recipient's organization are not violated by the offered business courtesy.
- Do not offer, give, solicit or receive any form of bribe or kickback, as these are criminal acts. A kickback is any money, fee, commission, credit, gift, gratuity, thing of value, loan, entertainment, service or compensation of any kind that is provided, directly or indirectly, to any prime contractor, prime contractor employee, subcontractor or subcontractor employee for the purpose of improperly obtaining or rewarding favorable treatment in connection with a prime contract with the U.S., or a subcontract in connection with a prime contract with the U.S.
- Recognize that complex rules and monetary limits apply when dealing with Public Officials, including members of the military.
- Consult policy and obtain guidance if you are uncertain if an action is inappropriate or within the allowable limits.

WHY WE DO IT

- When people exchange gifts or business courtesies, it can create (whether intentionally or not) the perception that favors were granted in order to influence business judgment. Some gift limit rules are calculated within a calendar year and others depend on the fair market value of the courtesy being offered or received.
- We compete on the merits of our products and services and do not give business courtesies to gain an unfair competitive advantage. There are specific guidelines that apply in each country where we do business.
- We source products and services fairly and avoid accepting business courtesies that may cause even the perception of an inappropriate business relationship. There are more restrictive rules regarding acceptance of business courtesies for employees who work in Supply Chain Management or are involved in the process of directing business or funds to our business relations.

[p.16] What is a Business Courtesy?

Any gift, gratuity, favor, benefit, loan, commission, discount, forbearance, or other tangible or intangible item having monetary value for which fair market value is not paid by the recipient. The recipient may be an individual or an entity. Such courtesies include, but are not limited to the following: cash and cash equivalents, discounts, door prizes and raffles, entertainment and recreation, free or reduced cost admittance to a business-related event (conference, briefing, seminar, training, advisory board, committee meeting, etc.), gift cards/certificates, honoraria, hospitality, lodging, meals and drinks, models, promotional items, services, tickets (passes, fees, etc.), training, transportation, or use of a donor's time, materials, equipment, or facilities.

Who is a Public Official?

A person who, regardless of position, paid or unpaid, is any of the following:

- An officer or employee of any government, department, agency, bureau, authority, or government-owned instrumentality, such as a state-owned or state-controlled entity;
- Acting in an official capacity for or on behalf of any government, department, agency, bureau, authority, or instrumentality;
- An official, employee, or person acting on behalf of a government-sponsored or public international organization such as the United Nations, World Bank, or the European Community;
- Holding a legislative, administrative, executive, or judicial position, whether appointed or elected;
- A political candidate, or an officer or employee of a political party;
- A member of a Royal Family; or
- A family member of or otherwise closely associated with any of the foregoing

[2] Compliance with Anti-Corruption Laws

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf>

[p.7] Gifts, Hospitality, Other Business Courtesies and Sponsorships

8.4 A Covered Person will not offer or provide any gifts, hospitality or other items, including cash or cash-equivalent gifts, sponsorships, or anything to any person or entity to induce improper action or secure an improper business advantage.

[p.8] 8.5 CPS-008 sets forth the specific guidance, limits, and necessary approvals for offering or receiving any business courtesy or sponsoring any event. Where a proposed offering or provision will exceed stated value thresholds or otherwise not comply with the applicable CPS-008 guidelines (including the country-specific International Hospitality Rules) concerning non-U.S. public officials and non-U.S. commercial relations, Covered Persons must seek pre-approval from their element Legal Counsel as required by CPS-008. Element Legal Counsel will review and coordinate legal concurrence for any exceptions, consulting with his or her respective BAAC or a Lockheed Martin International Associate General Counsel, as appropriate.

8.6 Providing a business courtesy which does not comply with the applicable CPS-008 guidelines (including any applicable International Hospitality Rules) without the required prior Legal approval constitutes "Reportable Hospitality" and is a violation of this policy and CPS008.

6. Supply Chain Management

Question
6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?
Score
1
Comments
<p>There is evidence that the company's Global Supply Chain Operations department is the sole authority involved in procuring goods and services, and it is clear that this department provides oversight of the company's supply base.</p> <p>However, although the company states that it has procedures for ensuring procurement professionals follow the required onboarding processes for suppliers, it does not provide further details. There is no evidence, for example, that the company conducts an audit of the onboarding process at least every three years.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf</p> <p>[p.3] CPS-113, Acquisition of Goods and Services provides specific direction that all sourcing, procurement and subcontract management activities comply with the applicable laws and regulations wherever we conduct business, the Code of Ethics & Business Conduct and other internal policies and procedures. The authority to purchase goods and services on behalf of Lockheed Martin is vested solely in Global Supply Chain Operations. The policy requires that risk-based due diligence, including anti-corruption due diligence, be conducted on all suppliers prior to engagement. Lockheed Martin requires anti-corruption compliance in its standard terms and conditions and emphasizes its expectation that all suppliers have an effective ethics and compliance program, to include a Code of Conduct. The Lockheed Martin Acquisition Procedures (LMAP) provide corporate-wide procedures for the acquisition of supplies and services on behalf of the corporation. These procedures ensure that procurement professionals responsible for onboarding suppliers follow the required processes.</p> <p>[2] Compliance with Anti-Corruption Laws Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf</p> <p>[p.11] Note: International suppliers of goods and services are managed through Global Supply Chain Operations (GSCO). GSCO has established appropriate provisions in the Corporation's acquisition procedures and supplier registration process to implement this policy. Responsible GSCO personnel will obtain information sufficient to evaluate compliance risk under anti-corruption laws, consulting with element Legal Counsel when necessary to determine the appropriate level of due diligence based on potential anticorruption law exposure. The GSCO legal counsel is a Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee for international supplier anti-corruption compliance matters. After an international supplier is retained, GSCO will review it for anti-corruption compliance on a periodic basis thereafter.</p> <p>[p.14] In accordance with its annual audit plans, Corporate Internal Audit will periodically assess or audit internal controls across the Corporation to ensure compliance with this policy and anticorruption laws. Audit reports concerning anti-corruption compliance will be provided to the Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts, who will provide the results to the Senior Vice President, General Counsel & Corporate Secretary.</p> <p>[5] Ethics and Business Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf</p> <p>[p.7] 5.11 In accordance with its annual audit plans, corporate Internal Audit periodically will assess or audit internal controls across the Corporation, assuring compliance with this policy. Consistent with CPS-013, Total Audit Program, the corporate Director Audit Operations will, when necessary, use external resources to ensure an</p>

independent appraisal of compliance with this policy and will report significant audit matters to management and the Audit Committee of the Board of Directors.

Question
6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?
Score
1
Comments
<p>There is evidence that the company has formal procedures to conduct risk-based due diligence when engaging with suppliers. This process explicitly includes establishing the ultimate beneficial ownership of the supplier. Moreover, there is evidence to suggest that the company would not be willing to proceed with a supplier relationship in circumstances where a red flag highlighted cannot be mitigated, although the company does not explicitly state it would terminate existing supplier relationships in these circumstances. The company also indicates that it undertakes enhanced due diligence on suppliers operating in high-risk jurisdictions.</p> <p>However, although the company states that due diligence is periodically reassessed and updated, it is not clear that due diligence on suppliers is repeated at least every two years or whenever there is a change in the business relationship.</p>
Evidence
<p>[2] Compliance with Anti-Corruption Laws Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf</p> <p>[p.3] Due Diligence – A risk-based assessment of a third party to identify, mitigate, or resolve any information concerning the legal, ethical, reputational, financial, or other compliance risks that the third party may pose to Lockheed Martin before entering into a business relationship with the third party. Anti-corruption due diligence will be conducted in accordance with corporate policies, procedures, and guidance adopted by the ACPT.</p> <p>[p.4] Third Party – An individual or entity other than Lockheed Martin such as a consultant, contractor, partner, competitor, joint venture partners, proposed acquisitions, teammates, supplier, subcontractors, higher-tier customers or prime contractors, licensees, freight forwarders, or customs brokers.</p> <p>[p.5] 6.1 Lockheed Martin has established a comprehensive Anti-Corruption Program (ACP) to identify, manage, and mitigate corruption risks associated with the Corporation's business activities.</p> <p>6.2 The ACP is built upon the following principles:</p> <p>[p.6] Performance of risk-based due diligence of business relations;</p> <p>[p.9] Anti-Corruption Due Diligence and Monitoring of International Third Parties, Agreements, and Acquisitions</p> <p>8.14 Before establishing any business relationship with a third party on behalf of Lockheed Martin or its subsidiaries and affiliates, Covered Persons must consult with element Legal Counsel to determine the appropriate level of risk-based anti-corruption due diligence necessary to: (1) evaluate the business reputation of the third party and the risks posed to the Corporation in doing business with the third party; (2) understand and document the business rationale for including the third party; and (3) inform the third party of the Corporation's compliance program and commitment to ethical business conduct and compliance with anti-corruption laws and obtain the third party's assurances that it will comply with such commitments. This requirement applies to proposed agreements and renewal of agreements with non-U.S. consultants, joint venture</p> <p>[p.10] partners, acquisitions, teammates, subcontractors and suppliers, higher-tier customers or prime contractors, licensees, and other third parties performing services on behalf of Lockheed Martin (or its subsidiaries and affiliates), such as freight forwarders and customs brokers. As part of the due diligence and assurance process, Form C-730-1, International Anti-Corruption Questionnaire, Form C-730-2, Anti-Corruption Law Certification, or appropriate similar questions and representations may be required.</p> <p>8.15 Due diligence requires fact-collecting and will vary depending on the applicable risk factors, including any "red flags" presented by the establishment of a relationship with a potential party or transaction. Primary responsibility for fact-collecting rests with the Lockheed Martin individual responsible for establishing the business relationship</p>

who will ensure that Covered Persons provide necessary information and assistance to element Legal Counsel in carrying out due diligence.

8.16 Before entering into an international business relationship, as described in section 8.14, the Lockheed Martin individual responsible for establishing the relationship must have the written confirmation of element Legal Counsel and the written concurrence of a Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee that:

- Due diligence establishes sufficient evidence of likely future compliance with anticorruption laws;
- Any potential anti-corruption risks are mitigated; and
- The agreement contains adequate anti-corruption law compliance provisions, including necessary policies, procedures, and roles and responsibilities to ensure compliance in the case of a joint venture or teaming agreement.

8.17 During the term of any international agreement, the relevant business area Vice President & General Counsel will ensure that the original due diligence is periodically reassessed and updated for the continuing likelihood of anti-corruption compliance by a teammate or partner and, in the case of a joint venture or teaming agreement, that associated compliance policies and procedures are effective.

8.18 Covered Persons must retain anti-corruption due diligence files in accordance with CRX008A, Corporate Records Retention Schedule, and as directed by the ACPT.

[p.13] 10.1 Lockheed Martin's automated Anti-Corruption Compliance Monitoring Program analyzes certain transactional data against identified anti-corruption red flags. Flagged transactions are subject to a multi-level review and final determination of compliance with this policy and anticorruption laws. The Responsible Officer for each business area and for certain corporate functional areas, as designated by the Vice President & General Counsel – Lockheed Martin International & Government Contracts, will assign appropriate persons ("Reviewers") to conduct the required reviews. Reviewers will comply with the Anti-Corruption Monitoring Process Guide, ensure timely review and sufficient response to a flagged transaction, and report any confirmed violation to the appropriate Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee.

[3] Anti-Corruption Program and Policies (webpage)

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics/anti-corruption.html>

Bribery and Corruption Red Flags are facts, events, circumstances or other information that may indicate a potential legal compliance concern for illegal or unethical business conduct, particularly with regard to corrupt practices and non-compliance with anti-corruption laws. When conducting due diligence on a third party (or any intermediary), these "red flag" examples should always trigger concern and appropriate review by Legal.

Due Diligence: Lockheed Martin policies, including CPS-730 (Compliance with Anti-Corruption Laws and CRX-011 (International Business Development Consultants), require that the company exercise risk-based due diligence before entering into third-party agreements, including for joint venture or teaming agreements and with suppliers and international consultants. Due diligence processes include, but are not limited to, establishing the third party's associated persons and ultimate beneficial ownership, ensuring a legitimate business justification and the legality of the proposed relationship, and confirming the continuing, likely legal and ethical business conduct of the party. These processes require fact-finding to identify any potential "red flags" and, even where no specific flags may otherwise be present, an understanding and application of general risk. For example, a potential business partner operating in a country with a Transparency International Corruption Perceptions Index score below 50 may require enhanced due diligence based on that fact alone. The due diligence process is not complete until appropriate anti-corruption representations and warranties, or other similar contract terms or certifications are obtained from the third party which require its understanding and agreement to abide by anti-bribery and anti-corruption standards. This requirement to abide by applicable anti-corruption standards is flowed down to subcontractors used by such third parties.

[27] Other Policies Related to Anti-Corruption

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf>

[p.2] CPS-113, Acquisition of Goods and Services provides specific direction that all sourcing, procurement and subcontract management activities comply with the applicable laws and regulations wherever we conduct business, the Code of Ethics & Business Conduct and other internal policies and procedures. The authority to purchase

goods and services on behalf of Lockheed Martin is vested solely in Global Supply Chain Operations. The policy requires that risk-based due diligence, including anti-corruption due diligence, be conducted on all suppliers prior to engagement. Lockheed Martin requires anti-corruption compliance in its standard terms and conditions and emphasizes its expectation that all suppliers have an effective ethics and compliance program, to include a Code of Conduct. The Lockheed Martin Acquisition Procedures (LMAP) provide corporate-wide procedures for the acquisition of supplies and services on behalf of the corporation. These procedures ensure that procurement professionals responsible for onboarding suppliers follow the required processes

[8] Bribery and Corruption Red Flags

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/corruption-red-flags.pdf>

[p.1] When conducting due diligence on a third party (or any intermediary), these “red flag” examples should always trigger concern and appropriate review by Legal. While these examples are not exhaustive and may not in themselves constitute or indicate a violation of the FCPA or other applicable Anti-Corruption Laws, they may be indicators of potential current or future anti-corruption non-compliance. Such indicators must be evaluated to understand any actual risks, any reasonable resolution or measures which must be implemented to mitigate a risk, or if Lockheed Martin should not engage the third party because the risk is unacceptable.

[6] International Anti-Corruption Questionnaire

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/c-730-1.pdf>

[p.2] 3. Governmental Connections of the Company (With respect to a country with a royal family, members of the royal family are to be considered government or public officials in responding to this section.)

a. Is the Company owned or controlled by any government or government-owned or controlled company (“instrumentality”)? No Yes. If Yes, describe the governmental ownership and/or controlling interest:

b. Does the government or Royal Family subsidize the Company? No Yes. If Yes, describe:

c. Is any owner, director, officer, employee, or other representative of the Company a current or former official or employee of the government of the country or any agency, military branch, or instrumentality thereof (including a government-owned or government-controlled company)? No Yes. If Yes, identify each person, his/her last date of employment, and government department, agency or instrumentality:

d. Is any owner, director, officer, employee, or other representative of the Company an official of any political party or candidate for political office? No Yes. If Yes, explain in detail:

e. Does or will the Company or any owner, director, officer, employee, or other representative of the Company have any family (by blood or marriage) or business relationship with any official or employee of the government of the country or any agency, military branch, or instrumentality thereof (including a government-owned company)? No Yes. If Yes, explain each relationship:

f. Does or will any government or public official or employee or any official of any political party or candidate for political office have any interest in, or receive any benefit from, the proposed Project? No Yes. If Yes, explain in detail:

g. During the past five years, has the Company provided monetary or other contributions to any government or public official, political party, political campaign, or government department, agency, or instrumentality? No Yes. If Yes, explain in detail, including the recipient, date, amount, and nature of the contribution: h. During the past five years, has the Company provided hospitality to any government or public official, including meals, entertainment, transportation, hotels, gifts, etc.? No Yes. If Yes, explain in detail:

h. During the past five years, has the Company provided any facilitating or expediting payments to any government or public official, department, agency, or instrumentality? No Yes. If Yes, explain in detail, including the name of the recipient, date, amount, and nature of the payment:

i. Is the Company aware of any other relationships, connections, or ties to any government or public official or employee or any official of any political party or candidate for political office such that execution of the Project could be expected to affect the award of business to Lockheed Martin or affect the evaluation, payment approval, or other aspect of the administration of any Lockheed Martin business with the government of the country? No Yes. If Yes, explain in detail:

4. Allegations and Legal Proceedings

a. During the past five years, has the Company, any affiliate (any entity controlling, controlled by, or under common control with the Company), any predecessor entity or affiliate of the Company, or any present or former owner, director, officer, or key employee been the subject of any allegations of fraud, misrepresentation, bribery, or other similar activity in the media or other forum? No Yes. If Yes, please explain in detail:

b. Has the Company, any affiliate (as defined above), any predecessor entity or affiliate of the Company, any present or former owner, director, officer, or key employee ever been debarred, suspended, or otherwise restricted from doing business with any government or been notified that such action is pending? No Yes. If Yes, please explain in detail:

c. Has the Company, any affiliate (as defined above), any predecessor entity or affiliate of the Company, or any present or former owner, director, officer, or management representative ever been charged with a criminal act or been the subject of a civil or criminal investigation or any other proceeding involving an allegation of fraud, misrepresentation, bribery, or other similar activity? No Yes. If Yes, explain in detail:

[p.3] d. During the past ten years, has the Company, any affiliate (as defined above), any predecessor entity or affiliate of the Company, or any present or former owner, director, officer, or management representative had a criminal conviction? No Yes. If Yes, explain in detail:

e. Does the Company have any pending material legal proceeding or have any pending proceeding in bankruptcy or insolvency? No Yes. If Yes, explain in detail including identification of the jurisdiction and case number of any proceeding:

Question
6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?
Score
2
Comments
<p>There is evidence that the company ensures that its suppliers have adequate anti-bribery and corruption policies and procedures in place. In its Supplier Code of Conduct, the company outlines its expectations for suppliers, including its policies prohibiting bribery and facilitation payments, as well as those covering conflicts of interest, gifts & hospitality and whistleblowing. There is evidence that the company takes active steps to ensure this by providing training materials and a self-assessment tool on its website for suppliers to benchmark their own policies and procedures, as well as by requiring suppliers to fill out a questionnaire about these topics. The company assures itself of this when onboarding new suppliers or when there is a significant change in the business relationship.</p>
Evidence
<p>[16] Supplier Code of Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/supplier-code.pdf [p.1] Reporting</p> <p>Employees of our suppliers should have access to an adequate avenue of raising issues or concerns without fear of retaliation.</p> <p>Please feel free to contact the Ethics Office with your comments/questions about the Code. Call: 800-LM ETHIC (800-563-8442) International: Dial the code for the United States and 800-563-8442 For the Hearing or Speech Impaired: 800-441-7457</p> <p>Write: Office of Ethics and Business Conduct Lockheed Martin Corporation 6801 Rockledge Drive Bethesda, MD 20817</p> <p>Fax: U.S. Access Code (if required) + 301-897-6442</p> <p>E-Mail: corporate.ethics@lmco.com</p> <p>This Supplier Code of Conduct expresses the expectations we hold for our suppliers, and mirrors the standards we set for our own employees, board of directors and other business associates. Thank you for your shared commitment to meeting these principles.</p> <p>[p.2] Anti-Corruption</p> <p>We have a zero-tolerance policy for corruption, and prohibit anyone conducting business on our behalf, including suppliers, from offering or making any improper payments of money or anything of value to government officials, political parties, candidates for public office, or other persons. This includes the offer and/or receipt of any bribe or kickback to and/or from any customer, supplier or others. Our policy specifically prohibits facilitating payments (payments made to expedite or secure performance of a routine governmental action like obtaining a visa or customs clearance), but allows personal safety payments where there is an imminent threat to health or safety.</p> <p>Our suppliers must comply with the anticorruption laws that govern operations in the countries in which they do business, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act.</p> <p><u>Gifts/Business Courtesies</u></p> <p>We compete on the merits of our products and services and do not use the exchange of business courtesies to gain an unfair competitive advantage. We expect the same of our suppliers in the offering or receipt of any gift or business courtesy, including cash and cash equivalents. In particular, note that our employees who are in any way</p>

involved in procurement decisions are subject to even more strict limitations, and may not accept any business courtesies, with the exception of very low value promotional items. In any business relationship, our suppliers must ensure that the offering or receipt of any gift or business courtesy is permitted by law and regulation; does not violate the rules and standards of the recipient's organization; is consistent with reasonable marketplace customs; and will not adversely impact the reputation of Lockheed Martin.

Conflicts of Interest

We expect our suppliers to avoid all conflicts of interest or situations giving the appearance of a potential conflict of interest in their dealings with Lockheed Martin. We expect our suppliers to report to Lockheed Martin, any situations of potential or apparent conflicts between their personal interests and the interests of Lockheed Martin.

[17] Supplier ethics (webpage)

Accessed 28/09/2019

<https://www.lockheedmartin.com/en-us/suppliers/supplier-ethics.html>

Our Supplier Code of Conduct, referenced in the ethics clause of all new purchase orders, expresses the expectations we hold for our suppliers, and mirrors the standards we set for our own employees, Board of Directors, and other business associates.

In early 2017 our purchase orders were revised to state that both Lockheed Martin and its suppliers "are expected to conduct themselves in a manner consistent with the principles expressed in either the Lockheed Martin Supplier Code of Conduct (/content/dam/lockheedmartin/eo/documents/ethics/supplier-code.pdf), or the Defense Industry Initiative (DII) Model Supplier Code of Conduct (<https://www.dii.org/featured-tools>).

Supplier Mentoring

The Ethics Statement in all Lockheed Martin purchase orders "encourages all suppliers to implement an effective ethics program, including adopting a written code of conduct."

An effective ethics program, as defined by FAR 52.203-13 and other laws and regulations, can help your company develop a culture in which employees feel empowered to speak up – so you can address any issues before they negatively impact your business.

Lockheed Martin provides a variety of free self-serve resources (below) to help you meet our expectations and comply with your legal requirements through our Ethics Supplier Mentoring Program.

[6] International Anti-Corruption Questionnaire

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/c-730-1.pdf>

Form C-730-1, International Anti-Corruption Questionnaire

LOCKHEED MARTIN

Please complete and sign this form, and provide it to your Lockheed Martin contact.

Section 1 – Company Information		
Company Name		Company Web Site
Address		
Name of Representative Signing this Questionnaire		Title
Address		
Telephone	Fax	E-mail
Business Type: <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Joint Venture <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> LLC <input type="checkbox"/> Other (explain):		
Place of Incorporation (or equivalent registration)	Commercial Registration Number	Date of Establishment
		Number of Employees
Section 2 - Questionnaire		

[p.3] 6. Company Policies and Procedures

a. Does the Company require anti-corruption training of its employees and, if so, how often? No Yes.

b. Does the Company have a Code of Ethics, Code of Business Conduct, or similar policy? No Yes. If Yes, please provide a copy.

c. Does the Company have any policy or procedure regarding investigation or the performance of anti-corruption due diligence prior to the engagement of sales representatives, consultants, or other agents? No Yes. If Yes, please provide a copy.

d. Does the Company have any policy or procedure regarding the giving of gifts, business courtesies, gratuities, or hospitality to commercial relations and government or public officials, by Company personnel or its consultants, representatives, or agents? No Yes. If Yes, please provide a copy.

e. Does the Company have any policy or procedure regarding compliance with laws prohibiting bribery or corruption of commercial enterprises and public officials? No Yes. If Yes, please provide a copy.

f. Does the Company have any policy or procedure regarding facilitating or expediting payments to government or public officials, departments, agencies, or instrumentalities? No Yes. If Yes, please provide a copy.

[...]

i. Does the Company conduct any audits, assessments, or other reviews of its compliance with these policies and procedures? No Yes. If Yes, explain in detail:

[...]

k. Does the Company undergo periodic audits by a third party or outside accounting/audit firm? No Yes. If Yes, describe the frequency and the auditing party:

l. Does the Company require its employees and agents to provide itemized invoices and receipts in order to be reimbursed for all expenses, including hospitality and entertainment? No Yes. If No, provide a brief explanation:

m. Are cash payments permitted by the Company? No Yes. If Yes, describe under what conditions and controls:

[p. 4]

Section 3 – Certification

Please number consecutively and initial any additional pages. Additional pages should reference the information provided to the corresponding number and letter on this Questionnaire.

How many additional pages are attached containing responses to any of the items above? _____

The Company representative signing below represents that he or she is authorized to sign this Questionnaire on behalf of the Company and that Lockheed Martin may rely upon a scanned or faxed signature as binding upon the Company.

The Company understands that Lockheed Martin will rely on the above information and other business information provided by the Company in determining whether to enter into an agreement with the Company regarding the Project (as it may change from time to time), and that, in addition to any other remedies that may be available, any false or misleading information provided by the Company shall be grounds for the immediate termination of any such agreement.

The Company agrees to immediately notify Lockheed Martin of any change of status regarding any information provided in Section 2, items 2 – 6 above.

Company Name _____

Signature _____

Name _____

Title _____

Date _____

[2] Compliance with Anti-Corruption Laws

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf>

[p.9] Anti-Corruption Due Diligence and Monitoring of International Third Parties, Agreements, and Acquisitions

8.14 Before establishing any business relationship with a third party on behalf of Lockheed Martin or its subsidiaries and affiliates, Covered Persons must consult with element Legal Counsel to determine the appropriate level of risk-based anti-corruption due diligence necessary to:

[...]

(3) inform the third party of the Corporation's compliance program and commitment to ethical business conduct and compliance with anti-corruption laws and obtain the third party's assurances that it will comply with such commitments. This requirement applies to proposed agreements and renewal of agreements with non-U.S. consultants, joint venture partners, acquisitions, teammates, subcontractors and suppliers, higher-tier customers or prime contractors, licensees, and other third parties performing services on behalf of Lockheed Martin (or its subsidiaries and affiliates), such as freight forwarders and customs brokers.

[p.10] 8.16 Before entering into an international business relationship, as described in section 8.14, the Lockheed Martin individual responsible for establishing the relationship must have the written confirmation of element Legal Counsel and the written concurrence of a Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee that:

[...]

- The agreement contains adequate anti-corruption law compliance provisions, including necessary policies, procedures, and roles and responsibilities to ensure compliance in the case of a joint venture or teaming agreement.

[18] Supplier Self-Assessment Tool

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/supplier-self-assessment-tool.xlsx>

Supplier Self-Assessment Tool			LOCKHEED MARTIN
Updated April 2018			Lockheed Martin Ethics Supplier Mentoring Program
Program Element	Self-Assessment Questions	Supplier Notes	Lockheed Martin Practices and Resources
» Company Values	Does your company have a values statement?		» Lockheed Martin's core values are Do What's Right, Respect Others, Perform with Excellence.
» Program Structure & Oversight	Who is responsible for ethics in your organization? What resources does this person or team have? Who has direct oversight of or accountability for that person or team?		Lockheed Martin's Senior Vice President of Internal Audit, Ethics and Sustainability manages the activities of our Ethics team, reports directly to our CEO, and gives quarterly briefings to our Board of Directors. Lockheed Martin's Ethics organization is an independent department within the Corporation with its own budget and full-time staff.
» Risk Assessment	How often does your company conduct an assessment of its ethics and compliance risks?		» The risk areas identified by Lockheed Martin are addressed in our Code of Ethics and Business Conduct, Setting the Standard, and by our Business Conduct Compliance Training (BCCT) courses.
» Policies & Procedures	Do your company's policies and procedures address the topics identified by your risk assessment?		» Most of Lockheed Martin's policies and procedures are considered proprietary information, but we publish documents related to our Anti-Corruption Program on our external website.
» Code of Conduct	Does your company have a code of conduct or other written expectations for employee behavior? Is it available to all employees and others who act on behalf of the company?		» Lockheed Martin's Code of Ethics and Business Conduct, Setting the Standard, details the high expectations we set for employee behavior, from our commitment to good citizenship to our zero-tolerance policy on corruption. All Lockheed Martin employees, consultants and members of the Board of Directors must certify that they have read, understand and will abide by our Code of Ethics and Business.
» Training	How often does your company train employees on their ethics and compliance responsibilities? Does the training address the topics identified by your risk assessment?		» Lockheed Martin requires all employees to participate in our annual Voicing Our Values Ethics Awareness Training and to complete Business Conduct Compliance Training courses relevant to their role.
» Communications	Does your company communicate with employees about ethics and compliance, in addition to training? Do these communications address the topics identified by your risk assessment?		» Lockheed Martin uses a wide variety of methods to communicate with employees and external audiences. For example, we produce a series of short, soap opera-style videos called the Integrity Minutes and other multimedia communications to engage with employees outside of our annual training.
» Leadership Commitment	How do your company's leaders demonstrate their support for ethics?		Lockheed Martin's President, CEO and Chairman introduces our annual Ethics Awareness Training module, as well as our Code of Ethics and Business Conduct. She also frequently refers to ethics in internal and external presentations.
» Inquiry & Reporting Mechanisms	Does your company have a way for employees and external stakeholders to ask a question or report potential misconduct without fear of retaliation?		» Lockheed Martin's How the Ethics Process Works brochure informs employees and other stakeholders how they can ask a question or report potential misconduct, and explains how contacts to the Ethics Office are handled.
» Investigations & Disclosures	How does your company identify and investigate alleged misconduct? Do you have a process in place to ensure compliance with any mandatory disclosure obligations?		» Lockheed Martin's How the Ethics Process Works provides an overview of what reporting parties can expect after they report potential misconduct to the Ethics Office. Lockheed Martin's Legal team handles all disclosures to the U.S. federal government.

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PIRA #: CHQ201608006

[27] Other Policies Related to Anti-Corruption

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf>

[p.2] Lockheed Martin requires anti-corruption compliance in its standard terms and conditions and emphasizes its expectation that all suppliers have an effective ethics and compliance program, to include a Code of Conduct.

Question
6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?
Score
2
Comments
There is evidence that the company takes steps to ensure that the substance of its anti-bribery and corruption programme and standards are required of sub-contractors throughout the supply chain. This is in the form of contractual requirements that are flowed down through the supply chain.
Evidence
<p>[3] Anti-Corruption Program and Policies (webpage) Accessed 15/12/2019 https://www.lockheedmartin.com/en-us/who-we-are/ethics/anti-corruption.html The due diligence process is not complete until appropriate anti-corruption representations and warranties, or other similar contract terms or certifications are obtained from the third party which require its understanding and agreement to abide by anti-bribery and anti-corruption standards. This requirement to abide by applicable anti-corruption standards is flowed down to subcontractors used by such third parties.</p> <p>[16] Supplier Code of Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/supplier-code.pdf [p.1] Codes of Conduct & Sub-tier Suppliers</p> <p>Commensurate with the size and nature of their business, we expect our suppliers to have management systems in place to support compliance with laws, regulations, and expectations related to or addressed expressly within the Supplier Code of Conduct. We encourage our suppliers to implement their own written code of conduct, and to flow down the principles of a code of conduct to the entities that furnish goods and services to the supplier.</p> <p>[6] International Anti-Corruption Questionnaire Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/c-730-1.pdf [p.3] 5. Representative, Consultant, or Agent Practices</p> <p>a. Does the Company have currently or has it had within the past three years a sales representative, consultant, or agent of any kind entitled to a commission or other fee or payment with respect to the Company's business or activities in the country? No Yes. If Yes, provide complete details of all such person(s) and the associated business arrangement(s):</p> <p>b. Does the Company intend to use a sales representative, consultant, or agent of any kind in connection with the proposed Project? No Yes. If Yes, provide complete details of all such third parties and the associated business arrangements, including any intermediation between the sales representative, consultant, or agent and any governmental or public official or entity on behalf of this proposed Project:</p> <p>c. Does the Company require anti-corruption training of its consultants and, if so, how often?</p>

Question

6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?

Score

1

Comments

The company states that it includes investigations into suppliers in its annual data on ethics contacts and investigations.

However, supplier investigations are not disaggregated from investigations involving employees.

Evidence
[19] Ethics (webpage)

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics.html>

Investigations and Reporting of Potential Misconduct

Lockheed Martin promptly and thoroughly investigates all alleged violations of laws, regulations, policies, procedures, or the Lockheed Martin Code of Ethics & Business Conduct, "Setting the Standard," that occur in the workplace or in off-premises situations with a relationship to the workplace or that affect the workplace. Potential violations may be identified through normal compliance channels or raised by whistleblowers and other concerned employees.

Metrics: Ethics Investigations and Requests for Guidance



[†] *Gartner State of the Compliance and Ethics Function 2018: Investigations and Discipline Findings.*

Cases	2016	2017	2018
Case Count	382	384	367
Cases per 1,000	4	4	4
Guidances	2016	2017	2018
Guidance Count	3,148	3,645	3,680
Guidances per 1,000	36	40	37

*The metrics provided represent investigations related to individuals regardless of organizational level.

**If any Ethics investigations were conducted into third parties, such as contractors or suppliers, they are included in the figures above.

***The metrics provided include investigations on reports from all sources, both internal and external, if any.

7. Agents, Intermediaries and Joint Ventures

7.1 Agents and Intermediaries

Question
7.1.1 Does the company have a clear policy on the use of agents?
Score
2
Comments
<p>There is evidence that the company has a clear policy on the use of agents, which addresses the corruption risks associated with the use of agents and provides details of specific controls to mitigate these risks. As part of this policy, the company outlines oversight mechanisms and commits to only retaining agents and consultants where there is a sufficient business case justification and where all appropriate laws and regulations are followed. This policy forms part of the company's overall ethics and anti-corruption policies, which apply to all divisions within the corporation that might employ agents, including subsidiaries and controlled joint ventures.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf</p> <p>[p.4] CRX-010, U.S. Business Development Consultants applies to U.S. Business Development consultants, including lobbyists, by Lockheed Martin and its wholly-owned subsidiaries. The policy specifies the methods used for management of all such consultants, including the use of an Agreement Monitor responsible for the</p> <p>[p.5] oversight, administration, and direction of the consultant's activities and compliance with this policy. Attachments to this policy provide detailed internal controls for overseeing consultant activities, including requirements for initial screening and approval of the consultant, requirements for regular activity reports that describe the consultant activity dates, purpose, persons visited and subject matter discussed, and requirements for ongoing evaluation of the activities, performance, and conduct of the consultants.</p> <p>CRX-011, International Business Development Consultants applies to consultants, representatives, agents, resellers, distributors, and offset brokers and establishes the requirements for due diligence (including verification of their associated persons and ultimate beneficial owners), oversight, and monitoring of consultant activities for anti-corruption compliance. All consultant agreements contain affirmative anti-corruption compliance representations and warranties. Breach of any warranty or representation, or failure or refusal by the consultant to provide requested certifications or disclosures, are cause for immediate termination. No consultant may be retained without a sufficient business case justification, including that the proposed compensation is reasonable and consistent with any applicable laws or regulations; certain types and amounts of compensation are subject to escalated approval authority in the Corporation. No consultant agreement may be entered for an improper purpose, e.g. "disguised" or supplemental compensation, and no payment of any kind can be made to a consultant without a written contract and approval of the Corporation. Each consultant agreement includes a clause granting the Corporation the right to audit the consultant's financial books and records, as they relate to transactions with or on behalf Lockheed Martin, and an annual risk assessment and audit of selected consultants is conducted by Corporate Internal Audit.</p> <p>Through its policies, guidelines, consultant agreements, and practices, Lockheed Martin ensures that its compensation to its consultants comports with ethical behavior and does not encourage corrupt practices. Lockheed Martin policy prohibits and will not authorize any sales-based commission to an International Business Development Consultant (including any agent) in excess of 10% in any circumstance, regardless of the value of the proposed sale or the expected size of a commission payment. In addition, Lockheed Martin pays contracted-for compensation to its consultants only in staged payments over the course of their contracts, as earned and stated in clearly invoiced milestones, and transfers payments only to a consultant's local bank account unless a justified exception based on law and approval of the Legal Department is granted.</p>
[1] Code of Ethics and Business Conduct

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf>

[p.2] WE SET THE STANDARD

- Our Code applies to all Lockheed Martin employees, members of the Board of Directors, consultants, contract laborers and other agents when they represent or act for the Corporation.*

[p.34] We properly engage third parties

WE SET THE STANDARD

- We do not engage with third parties to conduct business in a manner that is contrary to law or to our policies or that would circumvent our values and principles. Consultants, representatives and third parties must certify that they will comply with the Corporation's requirements for doing business on its behalf.
- We are accountable for the actions undertaken on our behalf by third parties.

Actions we prohibit include:

- Offering or paying or receiving bribes or kickbacks
- Engaging in industrial espionage
- Obtaining the sensitive, proprietary or classified data of a third party without authority
- Improperly gaining inside information or influence

WHY WE DO IT

- The decisions and actions of third parties who conduct business on our behalf impact our Corporation's reputation and may result in criminal or civil liability for the Corporation.

[2] Compliance with Anti-Corruption Laws

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf>

[p.1] 1.2 Lockheed Martin will not engage in, or otherwise tolerate, any form of bribery or corruption in its business dealings.

[p.2] 2.1 This policy applies to all officers, members of the Board of Directors, and employees of the Corporation and its subsidiaries within and outside the U.S., and, by written agreement, all appropriate provisions apply to any domestic or international representative, distributor, reseller, consultant, broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation or its subsidiaries (each a "Covered Person", as defined in this policy).

2.2 With respect to other entities that Lockheed Martin owns or controls, Lockheed Martin will ensure that such entities have adopted this or a similar anti-corruption compliance policy.

2.3 With respect to entities where Lockheed Martin holds a non-controlling ownership interest, Lockheed Martin will use best efforts to ensure that such entities adopt and maintain appropriate controls and take steps necessary to comply with applicable anti-corruption laws.

3.0 Definitions

Covered person - Any officers, members of the Board of Directors, or employees of Lockheed Martin Corporation and its subsidiaries within and outside the U.S., and by written agreement

[p.3] any domestic or international representative, distributor, reseller, consultant, broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation or its subsidiaries.

[p.10] 8.16 Before entering into an international business relationship, as described in section 8.14, the Lockheed Martin individual responsible for establishing the relationship must have the written confirmation of element Legal Counsel and the written concurrence of a Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee that:

- Due diligence establishes sufficient evidence of likely future compliance with anticorruption laws;
- Any potential anti-corruption risks are mitigated; and

- The agreement contains adequate anti-corruption law compliance provisions, including necessary policies, procedures, and roles and responsibilities to ensure compliance in the case of a joint venture or teaming agreement.

8.17 During the term of any international agreement, the relevant business area Vice President & General Counsel will ensure that the original due diligence is periodically reassessed and updated for the continuing likelihood of anti-corruption compliance by a teammate or partner and, in the case of a joint venture or teaming agreement, that associated compliance policies and procedures are effective.

Question
7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?
Score
1
Comments
<p>There is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence prior to engaging any agents and intermediaries. There is evidence that Legal Counsel is involved in determining the appropriate level of anti-corruption due diligence based on exposure to risk, suggesting that higher risk agents and intermediaries are subject to enhanced due diligence.</p> <p>However, there is no evidence that the company refreshes its due diligence at least every two years or when there is a significant change in the business relationship.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf</p> <p>[p.4] CRX-010, U.S. Business Development Consultants applies to U.S. Business Development consultants, including lobbyists, by Lockheed Martin and its wholly-owned subsidiaries. The policy specifies the methods used for management of all such consultants, including the use of an Agreement Monitor responsible for the</p> <p>[p.5] oversight, administration, and direction of the consultant's activities and compliance with this policy. Attachments to this policy provide detailed internal controls for overseeing consultant activities, including requirements for initial screening and approval of the consultant, requirements for regular activity reports that describe the consultant activity dates, purpose, persons visited and subject matter discussed, and requirements for ongoing evaluation of the activities, performance, and conduct of the consultants.</p> <p>CRX-011, International Business Development Consultants applies to consultants, representatives, agents, resellers, distributors, and offset brokers and establishes the requirements for due diligence (including verification of their associated persons and ultimate beneficial owners), oversight, and monitoring of consultant activities for anti-corruption compliance. All consultant agreements contain affirmative anti-corruption compliance representations and warranties. Breach of any warranty or representation, or failure or refusal by the consultant to provide requested certifications or disclosures, are cause for immediate termination. No consultant may be retained without a sufficient business case justification, including that the proposed compensation is reasonable and consistent with any applicable laws or regulations; certain types and amounts of compensation are subject to escalated approval authority in the Corporation. No consultant agreement may be entered for an improper purpose, e.g. "disguised" or supplemental compensation, and no payment of any kind can be made to a consultant without a written contract and approval of the Corporation. Each consultant agreement includes a clause granting the Corporation the right to audit the consultant's financial books and records, as they relate to transactions with or on behalf Lockheed Martin, and an annual risk assessment and audit of selected consultants is conducted by Corporate Internal Audit.</p> <p>Through its policies, guidelines, consultant agreements, and practices, Lockheed Martin ensures that its compensation to its consultants comports with ethical behavior and does not encourage corrupt practices. Lockheed Martin policy prohibits and will not authorize any sales-based commission to an International Business Development Consultant (including any agent) in excess of 10% in any circumstance, regardless of the value of the proposed sale or the expected size of a commission payment. In addition, Lockheed Martin pays contracted-for compensation to its consultants only in staged payments over the course of their contracts, as earned and stated in clearly invoiced milestones, and transfers payments only to a consultant's local bank account unless a justified exception based on law and approval of the Legal Department is granted.</p> <p>[2] Compliance with Anti-Corruption Laws Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf</p> <p>[p.3] Due Diligence – A risk-based assessment of a third party to identify, mitigate, or resolve any information concerning the legal, ethical, reputational, financial, or other compliance risks that the third party may pose to</p>

Lockheed Martin before entering into a business relationship with the third party. Anti-corruption due diligence will be conducted in accordance with corporate policies, procedures, and guidance adopted by the ACPT.

[p.4] Third Party – An individual or entity other than Lockheed Martin such as a consultant, contractor, partner, competitor, joint venture partners, proposed acquisitions, teammates, supplier, subcontractors, higher-tier customers or prime contractors, licensees, freight forwarders, or customs brokers.

[p.5] 6.1 Lockheed Martin has established a comprehensive Anti-Corruption Program (ACP) to identify, manage, and mitigate corruption risks associated with the Corporation's business activities.

[...]

6.2 The ACP is built upon the following principles:

[p.6] Performance of risk-based due diligence of business relations;

[p.9] Anti-Corruption Due Diligence and Monitoring of International Third Parties, Agreements, and Acquisitions

8.14 Before establishing any business relationship with a third party on behalf of Lockheed Martin or its subsidiaries and affiliates, Covered Persons must consult with element Legal Counsel to determine the appropriate level of risk-based anti-corruption due diligence necessary to: (1) evaluate the business reputation of the third party and the risks posed to the Corporation in doing business with the third party; (2) understand and document the business rationale for including the third party; and (3) inform the third party of the Corporation's compliance program and commitment to ethical business conduct and compliance with anti-corruption laws and obtain the third party's assurances that it will comply with such commitments. This requirement applies to proposed agreements and renewal of agreements with non-U.S. consultants, joint venture

[p.10] partners, acquisitions, teammates, subcontractors and suppliers, higher-tier customers or prime contractors, licensees, and other third parties performing services on behalf of Lockheed Martin (or its subsidiaries and affiliates), such as freight forwarders and customs brokers. As part of the due diligence and assurance process, Form C-730-1, International Anti-Corruption Questionnaire, Form C-730-2, Anti-Corruption Law Certification, or appropriate similar questions and representations may be required.

8.15 Due diligence requires fact-collecting and will vary depending on the applicable risk factors, including any "red flags" presented by the establishment of a relationship with a potential party or transaction. Primary responsibility for fact-collecting rests with the Lockheed Martin individual responsible for establishing the business relationship who will ensure that Covered Persons provide necessary information and assistance to element Legal Counsel in carrying out due diligence.

8.16 Before entering into an international business relationship, as described in section 8.14, the Lockheed Martin individual responsible for establishing the relationship must have the written confirmation of element Legal Counsel and the written concurrence of a Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee that:

- Due diligence establishes sufficient evidence of likely future compliance with anticorruption laws

[...]

8.17 During the term of any international agreement, the relevant business area Vice President & General Counsel will ensure that the original due diligence is periodically reassessed and updated for the continuing likelihood of anti-corruption compliance by a teammate or partner and, in the case of a joint venture or teaming agreement, that associated compliance policies and procedures are effective.

8.18 Covered Persons must retain anti-corruption due diligence files in accordance with CRX008A, Corporate Records Retention Schedule, and as directed by the ACPT.

[p.13] 10.1 Lockheed Martin's automated Anti-Corruption Compliance Monitoring Program analyzes certain transactional data against identified anti-corruption red flags. Flagged transactions are subject to a multi-level review and final determination of compliance with this policy and anticorruption laws. The Responsible Officer for each business area and for certain corporate functional areas, as designated by the Vice President & General Counsel – Lockheed Martin International & Government Contracts, will assign appropriate persons ("Reviewers") to

conduct the required reviews. Reviewers will comply with the Anti-Corruption Monitoring Process Guide, ensure timely review and sufficient response to a flagged transaction, and report any confirmed violation to the appropriate Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee.

[3] Anti-Corruption Program and Policies (webpage)

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics/anti-corruption.html>

Bribery and Corruption Red Flags are facts, events, circumstances or other information that may indicate a potential legal compliance concern for illegal or unethical business conduct, particularly with regard to corrupt practices and non-compliance with anti-corruption laws. When conducting due diligence on a third party (or any intermediary), these “red flag” examples should always trigger concern and appropriate review by Legal.

Due Diligence: Lockheed Martin requires and exercises risk-based due diligence before entering into third-party agreements, including for joint venture or teaming agreements and with suppliers and international consultants (e.g. agents, representatives, brokers, resellers or distributors). Due diligence processes include, but are not limited to, establishing beneficial ownership, ensuring a legitimate business justification, and confirming the likely legal and ethical business conduct of the party and the relationship. These processes require fact-finding to identify any potential “red flags” and, even where no specific flags may otherwise be present, an understanding and application of general risk. For example, a potential business partner operating in a country with a Transparency International Corruption Perceptions Index score below 50 may require enhanced due diligence based on that fact alone.

[6] International Anti-Corruption Questionnaire

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/c-730-1.pdf>

[p.1] Form C-730-1, International Anti-Corruption Questionnaire

Please complete and sign this form, and provide it to your Lockheed Martin contact.

2. Company Ownership & Management

a. Are the securities of the Company traded publicly? No Yes. If Yes, identify the exchange(s) where traded:

b. Identify the owner(s)/shareholder(s) of the Company and the nationality and percentage interest held by each. Provide the address, business, and employment background of each owner on a separate page attached to this Questionnaire. Also attach an organization chart showing the Company's relationship to any parent and/or subsidiary.

[p.2] 3. Governmental Connections of the Company (With respect to a country with a royal family, members of the royal family are to be considered government or public officials in responding to this section.)

a. Is the Company owned or controlled by any government or government-owned or controlled company (“instrumentality”)? No Yes. If Yes, describe the governmental ownership and/or controlling interest:

b. Does the government or Royal Family subsidize the Company? No Yes. If Yes, describe:

c. Is any owner, director, officer, employee, or other representative of the Company a current or former official or employee of the government of the country or any agency, military branch, or instrumentality thereof (including a government-owned or government-controlled company)? No Yes. If Yes, identify each person, his/her last date of employment, and government department, agency or instrumentality:

d. Is any owner, director, officer, employee, or other representative of the Company an official of any political party or candidate for political office? No Yes. If Yes, explain in detail:

e. Does or will the Company or any owner, director, officer, employee, or other representative of the Company have any family (by blood or marriage) or business relationship with any official or employee of the government of the country or any agency, military branch, or instrumentality thereof (including a government-owned company)? No Yes. If Yes, explain each relationship:

f. Does or will any government or public official or employee or any official of any political party or candidate for political office have any interest in, or receive any benefit from, the proposed Project? No Yes. If Yes, explain in detail:

g. During the past five years, has the Company provided monetary or other contributions to any government or public official, political party, political campaign, or government department, agency, or instrumentality? No Yes. If Yes, explain in detail, including the recipient, date, amount, and nature of the contribution: h. During the past five years, has the Company provided hospitality to any government or public official, including meals, entertainment, transportation, hotels, gifts, etc.? No Yes. If Yes, explain in detail:

h. During the past five years, has the Company provided any facilitating or expediting payments to any government or public official, department, agency, or instrumentality? No Yes. If Yes, explain in detail, including the name of the recipient, date, amount, and nature of the payment:

i. Is the Company aware of any other relationships, connections, or ties to any government or public official or employee or any official of any political party or candidate for political office such that execution of the Project could be expected to affect the award of business to Lockheed Martin or affect the evaluation, payment approval, or other aspect of the administration of any Lockheed Martin business with the government of the country? No Yes. If Yes, explain in detail:

4. Allegations and Legal Proceedings

a. During the past five years, has the Company, any affiliate (any entity controlling, controlled by, or under common control with the Company), any predecessor entity or affiliate of the Company, or any present or former owner, director, officer, or key employee been the subject of any allegations of fraud, misrepresentation, bribery, or other similar activity in the media or other forum? No Yes. If Yes, please explain in detail:

b. Has the Company, any affiliate (as defined above), any predecessor entity or affiliate of the Company, any present or former owner, director, officer, or key employee ever been debarred, suspended, or otherwise restricted from doing business with any government or been notified that such action is pending? No Yes. If Yes, please explain in detail:

c. Has the Company, any affiliate (as defined above), any predecessor entity or affiliate of the Company, or any present or former owner, director, officer, or management representative ever been charged with a criminal act or been the subject of a civil or criminal investigation or any other proceeding involving an allegation of fraud, misrepresentation, bribery, or other similar activity? No Yes. If Yes, explain in detail:

[p.3] d. During the past ten years, has the Company, any affiliate (as defined above), any predecessor entity or affiliate of the Company, or any present or former owner, director, officer, or management representative had a criminal conviction? No Yes. If Yes, explain in detail:

e. Does the Company have any pending material legal proceeding or have any pending proceeding in bankruptcy or insolvency? No Yes. If Yes, explain in detail including identification of the jurisdiction and case number of any proceeding:

[8] Bribery and Corruption Red Flags

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/corruption-red-flags.pdf>

[p.1] When conducting due diligence on a third party (or any intermediary), these “red flag” examples should always trigger concern and appropriate review by Legal. While these examples are not exhaustive and may not in themselves constitute or indicate a violation of the FCPA or other applicable Anti-Corruption Laws, they may be indicators of potential current or future anti-corruption non-compliance. Such indicators must be evaluated to understand any actual risks, any reasonable resolution or measures which must be implemented to mitigate a risk, or if Lockheed Martin should not engage the third party because the risk is unacceptable.

Question
7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?
Score
1
Comments
<p>The company has formal procedures to establish the beneficial ownership of agents. The company requests this information from agents through its International Anti-Corruption Questionnaire. Where agents and intermediaries fail or refuse to provide the appropriate information the company states that it will immediately terminate the relationship.</p> <p>However, the company receives a score of '1' because while it states that it verifies ultimate beneficial ownership, it is not clear whether information provided by high risk agents is independently verified. Furthermore, it is not clear whether the company repeats its due diligence process, including checks on ultimate beneficial ownership, at least every two years or when there is a significant change in the business relationship.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf [p.5] CRX-011, International Business Development Consultants applies to consultants, representatives, agents, resellers, distributors, and offset brokers and establishes the requirements for due diligence (including verification of their associated persons and ultimate beneficial owners), oversight, and monitoring of consultant activities for anti-corruption compliance.</p> <p>[3] Anti-Corruption Program and Policies (webpage) Accessed 28/09/2019 https://www.lockheedmartin.com/en-us/who-we-are/ethics/anti-corruption.html Due Diligence: Lockheed Martin requires and exercises risk-based due diligence before entering into third-party agreements, including for joint venture or teaming agreements and with suppliers and international consultants (e.g. agents, representatives, brokers, resellers or distributors). Due diligence processes include, but are not limited to, establishing beneficial ownership, ensuring a legitimate business justification, and confirming the likely legal and ethical business conduct of the party and the relationship. These processes require fact-finding to identify any potential "red flags" and, even where no specific flags may otherwise be present, an understanding and application of general risk. For example, a potential business partner operating in a country with a Transparency International Corruption Perceptions Index score below 50 may require enhanced due diligence based on that fact alone.</p> <p>[6] International Anti-Corruption Questionnaire Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/c-730-1.pdf [p.1] Company ownership & management</p> <p>b. Identify the owner(s)/shareholder(s) of the Company and the nationality and percentage interest held by each. Provide the address, business, and employment background of each owner on a separate page attached to this Questionnaire. Also attach an organization chart showing the Company's relationship to any parent and/or subsidiary.</p> <p>Notes: (i) If ownership is held in whole or in part by an entity, identify the owners, the percentage held by each, and the form of organization and governing jurisdiction of that owning entity (and similarly for any higher-tier owning entities) so that ultimate ownership is specified. (ii) If you answered yes to question 2.a. above, the list of owners/shareholders need only refer to persons directly or indirectly holding an ownership interest greater than 5% of any class of the Company's securities.</p>

Question
7.1.4 Does the company's anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?
Score
2
Comments
<p>There is evidence that the company's anti-bribery and corruption policy applies to all agents and intermediaries acting for or on behalf of the company. All agents and intermediaries are subject to anti-bribery and corruption clauses in their contracts, which include clear audit and termination rights to detect, control and prevent breaches.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf</p> <p>[p.3] Consultants are evaluated annually for performance and continuing suitability. International consultants, including associated person(s) performing work under the agreement, will be registered with an anti-corruption risk and compliance monitoring service during the term of the agreement.</p> <p>[p.5] CRX-011, International Business Development Consultants applies to consultants, representatives, agents, resellers, distributors, and offset brokers and establishes the requirements for due diligence (including verification of their associated persons and ultimate beneficial owners), oversight, and monitoring of consultant activities for anti-corruption compliance. All consultant agreements contain affirmative anti-corruption compliance representations and warranties. Breach of any warranty or representation, or failure or refusal by the consultant to provide requested certifications or disclosures, are cause for immediate termination. No consultant may be retained without a sufficient business case justification, including that the proposed compensation is reasonable and consistent with any applicable laws or regulations; certain types and amounts of compensation are subject to escalated approval authority in the Corporation. No consultant agreement may be entered for an improper purpose, e.g. "disguised" or supplemental compensation, and no payment of any kind can be made to a consultant without a written contract and approval of the Corporation. Each consultant agreement includes a clause granting the Corporation the right to audit the consultant's financial books and records, as they relate to transactions with or on behalf Lockheed Martin, and an annual risk assessment and audit of selected consultants is conducted by Corporate Internal Audit.</p> <p>Through its policies, guidelines, consultant agreements, and practices, Lockheed Martin ensures that its compensation to its consultants comports with ethical behavior and does not encourage corrupt practices. Lockheed Martin policy prohibits and will not authorize any sales-based commission to an International Business Development Consultant (including any agent) in excess of 10% in any circumstance, regardless of the value of the proposed sale or the expected size of a commission payment. In addition, Lockheed Martin pays contracted-for compensation to its consultants only in staged payments over the course of their contracts, as earned and stated in clearly invoiced milestones, and transfers payments only to a consultant's local bank account unless a justified exception based on law and approval of the Legal Department is granted.</p> <p>[7] Anti-Corruption Law Certification Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/c-730-2.pdf</p> <p>[p.1] The Company acknowledges that it has received a copy of Lockheed Martin Corporation's "Compliance with AntiCorruption Laws," Corporate Policy Statement CPS-730 and the Lockheed Martin Code of Ethics and Business Conduct, is familiar with its contents, and will ensure that all Company directors, officers, employees, agents, and anyone else conducting activities on behalf of Lockheed Martin Corporation are informed of the contents and instructed to take no action inconsistent with the requirements therein.</p> <p>[1] Code of Ethics and Business Conduct Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf</p> <p>[p.2] WE SET THE STANDARD</p>

- Our Code applies to all Lockheed Martin employees, members of the Board of Directors, consultants, contract laborers and other agents when they represent or act for the Corporation.*

[p.28] We conduct international business with integrity

WE SET THE STANDARD

- We have zero tolerance for corruption.
- We adhere to all applicable export and import regulations.
- We do not engage in or support restrictive international trade practices or boycotts not sanctioned by the U.S. government.
- We comply with both the U.S. law and the laws of the countries where we do business (unless in conflict with U.S. law). When you encounter a conflict with U.S. law, you are required to address this conflict with your Element Legal Counsel.

[2] Compliance with Anti-Corruption Laws

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf>

[p.1] 1.2 Lockheed Martin will not engage in, or otherwise tolerate, any form of bribery or corruption in its business dealings.

[p.2] 2.1 This policy applies to all officers, members of the Board of Directors, and employees of the Corporation and its subsidiaries within and outside the U.S., and, by written agreement, all appropriate provisions apply to any domestic or international representative, distributor, reseller, consultant, broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation or its subsidiaries (each a "Covered Person", as defined in this policy).

2.2 With respect to other entities that Lockheed Martin owns or controls, Lockheed Martin will ensure that such entities have adopted this or a similar anti-corruption compliance policy.

2.3 With respect to entities where Lockheed Martin holds a non-controlling ownership interest, Lockheed Martin will use best efforts to ensure that such entities adopt and maintain appropriate controls and take steps necessary to comply with applicable anti-corruption laws.

[6] International Anti-Corruption Questionnaire

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/c-730-1.pdf>

[p.3] 6. Company Policies and Procedures

a. Does the Company require anti-corruption training of its employees and, if so, how often? No Yes.

b. Does the Company have a Code of Ethics, Code of Business Conduct, or similar policy? No Yes. If Yes, please provide a copy.

c. Does the Company have any policy or procedure regarding investigation or the performance of anti-corruption due diligence prior to the engagement of sales representatives, consultants, or other agents? No Yes. If Yes, please provide a copy.

d. Does the Company have any policy or procedure regarding the giving of gifts, business courtesies, gratuities, or hospitality to commercial relations and government or public officials, by Company personnel or its consultants, representatives, or agents? No Yes. If Yes, please provide a copy.

e. Does the Company have any policy or procedure regarding compliance with laws prohibiting bribery or corruption of commercial enterprises and public officials? No Yes. If Yes, please provide a copy.

f. Does the Company have any policy or procedure regarding facilitating or expediting payments to government or public officials, departments, agencies, or instrumentalities? No Yes. If Yes, please provide a copy.

[...]

i. Does the Company conduct any audits, assessments, or other reviews of its compliance with these policies and procedures? No Yes. If Yes, explain in detail:

[...]

k. Does the Company undergo periodic audits by a third party or outside accounting/audit firm? No Yes. If Yes, describe the frequency and the auditing party:

l. Does the Company require its employees and agents to provide itemized invoices and receipts in order to be reimbursed for all expenses, including hospitality and entertainment? No Yes. If No, provide a brief explanation

Question
7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
2
Comments
<p>There is evidence that incentive structures for agents are explicitly highlighted and addressed as a bribery and corruption risk factor. The company places a clear threshold on sales-based commissions to agents so that payments do not exceed a proportion of the net fee to the agent, and states that remuneration to agents is structured in staged payments over the course of their contract, based on clear milestones, into local bank accounts.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf</p> <p>[p.4] No consultant may be retained without a sufficient business case justification, including that the proposed compensation is reasonable and consistent with any applicable laws or regulations; certain types and amounts of compensation are subject to escalated approval authority in the Corporation. No consultant agreement may be entered for an improper purpose, e.g. “disguised” or supplemental compensation, and no payment of any kind can be made to a consultant without a written contract and approval of the Corporation. Each consultant agreement includes a clause granting the Corporation the right to audit the consultant’s financial books and records, as they relate to transactions with or on behalf Lockheed Martin, and an annual risk assessment and audit of selected consultants is conducted by Corporate Internal Audit.</p> <p>Through its policies, guidelines, consultant agreements, and practices, Lockheed Martin ensures that its compensation to its consultants comports with ethical behavior and does not encourage corrupt practices. Lockheed Martin policy prohibits and will not authorize any sales-based commission to an International Business Development Consultant (including any agent) in excess of 10% in any circumstance, regardless of the value of the proposed sale or the expected size of a commission payment. In addition, Lockheed Martin pays contracted-for compensation to its consultants only in staged payments over the course of their contracts, as earned and stated in clearly invoiced milestones, and transfers payments only to a consultant’s local bank account unless a justified exception based on law and approval of the Legal Department is granted.</p>

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
The company does not publish any details of the agents currently contracted to act for and/or on behalf of the company.
Evidence
No evidence found.

Question
7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption-related investigations, incidents or the associated disciplinary actions involving agents.
Evidence
No evidence found.

7.2 Joint Ventures

Question
7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?
Score
1
Comments
<p>There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to entering into and while operating in any joint venture agreement. The company states that its due diligence process includes checks on the beneficial ownership of third parties, including joint venture partners. The company also indicates that third parties operating in high-risk jurisdictions may require enhanced due diligence.</p> <p>However, the company receives a score of '1' because it is not clear that due diligence on joint venture partners is repeated at least every two years; instead, the company states that due diligence is reassessed and updated periodically.</p>
Evidence
<p>[2] Compliance with Anti-Corruption Laws Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf</p> <p>[p.3] Due Diligence – A risk-based assessment of a third party to identify, mitigate, or resolve any information concerning the legal, ethical, reputational, financial, or other compliance risks that the third party may pose to Lockheed Martin before entering into a business relationship with the third party. Anti-corruption due diligence will be conducted in accordance with corporate policies, procedures, and guidance adopted by the ACPT.</p> <p>[p.4] Third Party – An individual or entity other than Lockheed Martin such as a consultant, contractor, partner, competitor, joint venture partners, proposed acquisitions, teammates, supplier, subcontractors, higher-tier customers or prime contractors, licensees, freight forwarders, or customs brokers.</p> <p>[p.5] 6.1 Lockheed Martin has established a comprehensive Anti-Corruption Program (ACP) to identify, manage, and mitigate corruption risks associated with the Corporation's business activities.</p> <p>6.2 The ACP is built upon the following principles:</p> <p>[p.6] Performance of risk-based due diligence of business relations;</p> <p>[p.9] Anti-Corruption Due Diligence and Monitoring of International Third Parties, Agreements, and Acquisitions</p> <p>8.14 Before establishing any business relationship with a third party on behalf of Lockheed Martin or its subsidiaries and affiliates, Covered Persons must consult with element Legal Counsel to determine the appropriate level of risk-based anti-corruption due diligence necessary to: (1) evaluate the business reputation of the third party and the risks posed to the Corporation in doing business with the third party; (2) understand and document the business rationale for including the third party; and (3) inform the third party of the Corporation's compliance program and commitment to ethical business conduct and compliance with anti-corruption laws and obtain the third party's assurances that it will comply with such commitments. This requirement applies to proposed agreements and renewal of agreements with non-U.S. consultants, joint venture</p> <p>[p.10] partners, acquisitions, teammates, subcontractors and suppliers, higher-tier customers or prime contractors, licensees, and other third parties performing services on behalf of Lockheed Martin (or its subsidiaries and affiliates), such as freight forwarders and customs brokers. As part of the due diligence and assurance process, Form C-730-1, International Anti-Corruption Questionnaire, Form C-730-2, Anti-Corruption Law Certification, or appropriate similar questions and representations may be required.</p> <p>8.15 Due diligence requires fact-collecting and will vary depending on the applicable risk factors, including any "red flags" presented by the establishment of a relationship with a potential party or transaction. Primary responsibility for fact-collecting rests with the Lockheed Martin individual responsible for establishing the business relationship</p>

who will ensure that Covered Persons provide necessary information and assistance to element Legal Counsel in carrying out due diligence.

8.16 Before entering into an international business relationship, as described in section 8.14, the Lockheed Martin individual responsible for establishing the relationship must have the written confirmation of element Legal Counsel and the written concurrence of a Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee that:

- Due diligence establishes sufficient evidence of likely future compliance with anticorruption laws [...]

8.17 During the term of any international agreement, the relevant business area Vice President & General Counsel will ensure that the original due diligence is periodically reassessed and updated for the continuing likelihood of anti-corruption compliance by a teammate or partner and, in the case of a joint venture or teaming agreement, that associated compliance policies and procedures are effective.

[p.13] 10.1 Lockheed Martin's automated Anti-Corruption Compliance Monitoring Program analyzes certain transactional data against identified anti-corruption red flags. Flagged transactions are subject to a multi-level review and final determination of compliance with this policy and anticorruption laws. The Responsible Officer for each business area and for certain corporate functional areas, as designated by the Vice President & General Counsel – Lockheed Martin International & Government Contracts, will assign appropriate persons ("Reviewers") to conduct the required reviews. Reviewers will comply with the Anti-Corruption Monitoring Process Guide, ensure timely review and sufficient response to a flagged transaction, and report any confirmed violation to the appropriate Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee.

[3] Anti-Corruption Program and Policies (webpage)

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics/anti-corruption.html>

Bribery and Corruption Red Flags are facts, events, circumstances or other information that may indicate a potential legal compliance concern for illegal or unethical business conduct, particularly with regard to corrupt practices and non-compliance with anti-corruption laws. When conducting due diligence on a third party (or any intermediary), these "red flag" examples should always trigger concern and appropriate review by Legal.

Due Diligence: Lockheed Martin requires and exercises risk-based due diligence before entering into third-party agreements, including for joint venture or teaming agreements and with suppliers and international consultants (e.g. agents, representatives, brokers, resellers or distributors). Due diligence processes include, but are not limited to, establishing beneficial ownership, ensuring a legitimate business justification, and confirming the likely legal and ethical business conduct of the party and the relationship. These processes require fact-finding to identify any potential "red flags" and, even where no specific flags may otherwise be present, an understanding and application of general risk. For example, a potential business partner operating in a country with a Transparency International Corruption Perceptions Index score below 50 may require enhanced due diligence based on that fact alone.

[8] Bribery and Corruption Red Flags

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/corruption-red-flags.pdf>

[p.1] When conducting due diligence on a third party (or any intermediary), these "red flag" examples should always trigger concern and appropriate review by Legal. While these examples are not exhaustive and may not in themselves constitute or indicate a violation of the FCPA or other applicable Anti-Corruption Laws, they may be indicators of potential current or future anti-corruption non-compliance. Such indicators must be evaluated to understand any actual risks, any reasonable resolution or measures which must be implemented to mitigate a risk, or if Lockheed Martin should not engage the third party because the risk is unacceptable.

[6] International Anti-Corruption Questionnaire

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/c-730-1.pdf>

[p. 1] Form C-730-1, International Anti-Corruption Questionnaire Please complete and sign this form, and provide it to your Lockheed Martin contact.

[p.2] 3. Governmental Connections of the Company (With respect to a country with a royal family, members of the royal family are to be considered government or public officials in responding to this section.)

- a. Is the Company owned or controlled by any government or government-owned or controlled company ("instrumentality")? No Yes. If Yes, describe the governmental ownership and/or controlling interest:
- b. Does the government or Royal Family subsidize the Company? No Yes. If Yes, describe:
- c. Is any owner, director, officer, employee, or other representative of the Company a current or former official or employee of the government of the country or any agency, military branch, or instrumentality thereof (including a government-owned or government-controlled company)? No Yes. If Yes, identify each person, his/her last date of employment, and government department, agency or instrumentality:
- d. Is any owner, director, officer, employee, or other representative of the Company an official of any political party or candidate for political office? No Yes. If Yes, explain in detail:
- e. Does or will the Company or any owner, director, officer, employee, or other representative of the Company have any family (by blood or marriage) or business relationship with any official or employee of the government of the country or any agency, military branch, or instrumentality thereof (including a government-owned company)? No Yes. If Yes, explain each relationship:
- f. Does or will any government or public official or employee or any official of any political party or candidate for political office have any interest in, or receive any benefit from, the proposed Project? No Yes. If Yes, explain in detail:
- g. During the past five years, has the Company provided monetary or other contributions to any government or public official, political party, political campaign, or government department, agency, or instrumentality? No Yes. If Yes, explain in detail, including the recipient, date, amount, and nature of the contribution: h. During the past five years, has the Company provided hospitality to any government or public official, including meals, entertainment, transportation, hotels, gifts, etc.? No Yes. If Yes, explain in detail:
- h. During the past five years, has the Company provided any facilitating or expediting payments to any government or public official, department, agency, or instrumentality? No Yes. If Yes, explain in detail, including the name of the recipient, date, amount, and nature of the payment:
- i. Is the Company aware of any other relationships, connections, or ties to any government or public official or employee or any official of any political party or candidate for political office such that execution of the Project could be expected to affect the award of business to Lockheed Martin or affect the evaluation, payment approval, or other aspect of the administration of any Lockheed Martin business with the government of the country? No Yes. If Yes, explain in detail:
- 4. Allegations and Legal Proceedings**
- a. During the past five years, has the Company, any affiliate (any entity controlling, controlled by, or under common control with the Company), any predecessor entity or affiliate of the Company, or any present or former owner, director, officer, or key employee been the subject of any allegations of fraud, misrepresentation, bribery, or other similar activity in the media or other forum? No Yes. If Yes, please explain in detail:
- b. Has the Company, any affiliate (as defined above), any predecessor entity or affiliate of the Company, any present or former owner, director, officer, or key employee ever been debarred, suspended, or otherwise restricted from doing business with any government or been notified that such action is pending? No Yes. If Yes, please explain in detail:
- c. Has the Company, any affiliate (as defined above), any predecessor entity or affiliate of the Company, or any present or former owner, director, officer, or management representative ever been charged with a criminal act or been the subject of a civil or criminal investigation or any other proceeding involving an allegation of fraud, misrepresentation, bribery, or other similar activity? No Yes. If Yes, explain in detail:
- [p.3] d. During the past ten years, has the Company, any affiliate (as defined above), any predecessor entity or affiliate of the Company, or any present or former owner, director, officer, or management representative had a criminal conviction? No Yes. If Yes, explain in detail.

Question
7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture partnerships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?
Score
2
Comments
<p>There is evidence that the company commits to establishing and implementing anti-bribery and corruption policies in its joint ventures. Where it has a non-controlling ownership interest, the company states that it will employ its best efforts to ensure such controls are adopted. The company states that its agreements with joint venture partners must include anti-corruption provisions, procedures and controls in order to ensure ongoing adherence to its anti-bribery and corruption programme, which includes a ban on facilitation payments and foreign and domestic bribery. It conducts periodic reviews to ensure that such policies and procedures are effective. The company indicates that a violation of its anti-corruption policy, which applies to joint venture partners, may result in termination of contract.</p>
Evidence
<p>[2] Compliance with Anti-Corruption Laws Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf</p> <p>[p.1] 1.2 Lockheed Martin will not engage in, or otherwise tolerate, any form of bribery or corruption in its business dealings. At times, observance of this commitment may place the Corporation in a noncompetitive business position; however, strict compliance with Lockheed Martin's Code of Ethics and Business Conduct, Setting the Standard, and this policy is of greater value to the</p> <p>[p.2] Corporation than any business that may be lost. This policy enacts rigorous business standards, even where local law or custom may appear to permit less exacting business standards.</p> <p>2.0 Applicability</p> <p>2.1 This policy applies to all officers, members of the Board of Directors, and employees of the Corporation and its subsidiaries within and outside the U.S., and, by written agreement, all appropriate provisions apply to any domestic or international representative, distributor, reseller, consultant, broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation or its subsidiaries (each a "Covered Person", as defined in this policy).</p> <p>2.2 With respect to other entities that Lockheed Martin owns or controls, Lockheed Martin will ensure that such entities have adopted this or a similar anti-corruption compliance policy.</p> <p>2.3 With respect to entities where Lockheed Martin holds a non-controlling ownership interest, Lockheed Martin will use best efforts to ensure that such entities adopt and maintain appropriate controls and take steps necessary to comply with applicable anti-corruption laws.</p> <p>[p. 5] 5.0 Penalties</p> <p>[...]</p> <p>5.2 Lockheed Martin will fully cooperate with regulatory and law enforcement authorities in the investigation and prosecution by such authorities of alleged violation of anti-corruption laws. In addition to potential criminal or civil penalties, violations of anti-corruption laws or this policy by any Covered Person will result in disciplinary action up to and including termination of employment or contract.</p> <p>[p.6] 7.2 Each Responsible Officer will ensure that:</p> <ul style="list-style-type: none"> • Entities owned or controlled by the Corporation or its subsidiaries adopt policies and procedures effectively implementing this or a similar anti-corruption compliance policy, and take the steps necessary to ensure compliance with anti-corruption laws by all of their directors, officers, employees, and international consultants; and

- With respect to entities where Lockheed Martin holds a non-controlling ownership interest, best efforts are used to ensure that such entities adopt and maintain appropriate controls and take steps necessary to comply with applicable anti-corruption laws and the spirit of this policy. The Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts or designee must be advised of the controls that are proposed to be implemented.

[p.9] Anti-Corruption Due Diligence and Monitoring of International Third Parties, Agreements, and Acquisitions

8.14 Before establishing any business relationship with a third party on behalf of Lockheed Martin or its subsidiaries and affiliates, Covered Persons must consult with element Legal Counsel to determine the appropriate level of risk-based anti-corruption due diligence necessary to:

[...]

(3) inform the third party of the Corporation's compliance program and commitment to ethical business conduct and compliance with anti-corruption laws and obtain the third party's assurances that it will comply with such commitments. This requirement applies to proposed agreements and renewal of agreements with non-U.S. consultants, joint venture

[p.10] partners, acquisitions, teammates, subcontractors and suppliers, higher-tier customers or prime contractors, licensees, and other third parties performing services on behalf of Lockheed Martin (or its subsidiaries and affiliates), such as freight forwarders and customs brokers. As part of the due diligence and assurance process, Form C-730-1, International Anti-Corruption Questionnaire, Form C-730-2, Anti-Corruption Law Certification, or appropriate similar questions and representations may be required.

[...]

8.16 Before entering into an international business relationship, as described in section 8.14, the Lockheed Martin individual responsible for establishing the relationship must have the written confirmation of element Legal Counsel and the written concurrence of a Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee that:

- Due diligence establishes sufficient evidence of likely future compliance with anticorruption laws;
- Any potential anti-corruption risks are mitigated; and
- The agreement contains adequate anti-corruption law compliance provisions, including necessary policies, procedures, and roles and responsibilities to ensure compliance in the case of a joint venture or teaming agreement.

8.17 During the term of any international agreement, the relevant business area Vice President & General Counsel will ensure that the original due diligence is periodically reassessed and updated for the continuing likelihood of anti-corruption compliance by a teammate or partner and, in the case of a joint venture or teaming agreement, that associated compliance policies and procedures are effective.

[7] Anti-Corruption Law Certification

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/c-730-2.pdf>

[p.1] The Company acknowledges that it has received a copy of Lockheed Martin Corporation's "Compliance with AntiCorruption Laws," Corporate Policy Statement CPS-730 and the Lockheed Martin Code of Ethics and Business Conduct, is familiar with its contents, and will ensure that all Company directors, officers, employees, agents, and anyone else conducting activities on behalf of Lockheed Martin Corporation are informed of the contents and instructed to take no action inconsistent with the requirements therein.

Question
7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?
Score
0
Comments
<p>There is no evidence that the company commits to taking an active role in preventing bribery and corruption in all of its joint ventures. Although it indicates that it has procedures in place to do so, it does not specify what these are.</p> <p>Examples of such procedures could include: stipulating that the Chief Compliance Officer in the joint venture be transferred from, or appointed by, their own company or report directly to the main company's audit committee; instituting a secondment scheme; taking the lead in providing tailored anti-bribery and corruption training; ensuring provisions for real-time access to electronic books and records; or establishing a separate internal audit function.</p>
Evidence
<p>[2] Compliance with Anti-Corruption Laws Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf</p> <p>[p.2] 2.0 Applicability</p> <p>2.1 This policy applies to all officers, members of the Board of Directors, and employees of the Corporation and its subsidiaries within and outside the U.S., and, by written agreement, all appropriate provisions apply to any domestic or international representative, distributor, reseller, consultant, broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation or its subsidiaries (each a "Covered Person", as defined in this policy).</p> <p>2.2 With respect to other entities that Lockheed Martin owns or controls, Lockheed Martin will ensure that such entities have adopted this or a similar anti-corruption compliance policy.</p> <p>2.3 With respect to entities where Lockheed Martin holds a non-controlling ownership interest, Lockheed Martin will use best efforts to ensure that such entities adopt and maintain appropriate controls and take steps necessary to comply with applicable anti-corruption laws.</p> <p>[p.6] 7.2 Each Responsible Officer will ensure that:</p> <ul style="list-style-type: none"> • Entities owned or controlled by the Corporation or its subsidiaries adopt policies and procedures effectively implementing this or a similar anti-corruption compliance policy, and take the steps necessary to ensure compliance with anti-corruption laws by all of their directors, officers, employees, and international consultants; and • With respect to entities where Lockheed Martin holds a non-controlling ownership interest, best efforts are used to ensure that such entities adopt and maintain appropriate controls and take steps necessary to comply with applicable anti-corruption laws and the spirit of this policy. The Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts or designee must be advised of the controls that are proposed to be implemented. <p>[p.9] Anti-Corruption Due Diligence and Monitoring of International Third Parties, Agreements, and Acquisitions</p> <p>8.14 Before establishing any business relationship with a third party on behalf of Lockheed Martin or its subsidiaries and affiliates, Covered Persons must consult with element Legal Counsel to determine the appropriate level of risk-based anti-corruption due diligence necessary to:</p> <p>[...]</p> <p>(3) inform the third party of the Corporation's compliance program and commitment to ethical business conduct and compliance with anti-corruption laws and obtain the third party's assurances that it will comply with such</p>

commitments. This requirement applies to proposed agreements and renewal of agreements with non-U.S. consultants, joint venture

[p.10] partners, acquisitions, teammates, subcontractors and suppliers, higher-tier customers or prime contractors, licensees, and other third parties performing services on behalf of Lockheed Martin (or its subsidiaries and affiliates), such as freight forwarders and customs brokers. As part of the due diligence and assurance process, Form C-730-1, International Anti-Corruption Questionnaire, Form C-730-2, Anti-Corruption Law Certification, or appropriate similar questions and representations may be required.

[...]

8.16 Before entering into an international business relationship, as described in section 8.14, the Lockheed Martin individual responsible for establishing the relationship must have the written confirmation of element Legal Counsel and the written concurrence of a Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee that:

- Due diligence establishes sufficient evidence of likely future compliance with anticorruption laws;
- Any potential anti-corruption risks are mitigated; and
- The agreement contains adequate anti-corruption law compliance provisions, including necessary policies, procedures, and roles and responsibilities to ensure compliance in the case of a joint venture or teaming agreement.

8. Offsets

Question
8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?
Score
2
Comments
<p>There is evidence that the company has policies and procedures in place to address the corruption risks associated with offset contracting and ensures any offset partners adhere to its anti-bribery and corruption standards through appropriate contractual clauses. The company has a dedicated body responsible for the monitoring and oversight of the company's offset activities throughout the lifecycle of each project, and there is evidence that the employees in this department receive dedicated training on the specific risks associated with offsets.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf</p> <p>[p.3] Annually, Corporate Internal Audit develops a risk-based audit plan, which considers anti-corruption program elements within Lockheed Martin. In addition, Lockheed Martin conducts an annual risk assessment of its International Consultants (including agents, representatives, resellers, and brokers) based on objective factors and selects certain consultants for audits of the consultants' own books and records and compliance with the anti-corruption compliance terms of their agreements.</p> <p>[p.5] CRX-011, International Business Development Consultants applies to consultants, representatives, agents, resellers, distributors, and offset brokers and establishes the requirements for due diligence (including verification of their associated persons and ultimate beneficial owners), oversight, and monitoring of consultant activities for anti-corruption compliance. All consultant agreements contain affirmative anti-corruption compliance representations and warranties. Breach of any warranty or representation, or failure or refusal by the consultant to provide requested certifications or disclosures, are cause for immediate termination. No consultant may be retained without a sufficient business case justification, including that the proposed compensation is reasonable and consistent with any applicable laws or regulations; certain types and amounts of compensation are subject to escalated approval authority in the Corporation. No consultant agreement may be entered for an improper purpose, e.g. "disguised" or supplemental compensation, and no payment of any kind can be made to a consultant without a written contract and approval of the Corporation. Each consultant agreement includes a clause granting the Corporation the right to audit the consultant's financial books and records, as they relate to transactions with or on behalf Lockheed Martin, and an annual risk assessment and audit of selected consultants is conducted by Corporate Internal Audit.</p> <p>[p.8] CRX-454, Offset/Countertrade Commitments explicitly addresses the corruption risks associated with offset program proposals and management. The policy explains the process for obtaining approval for offset commitments and identifies who within the company is responsible for approving different types of offset commitments. The policy explains specific steps that the responsible Lockheed Martin functions must take to ensure that due diligence is conducted on the offset commitment being considered. This includes, but is not limited to, evaluating risk-based factors such as the location, type, and size of the commitment. This due diligence process also ensures that the commitment complies with Lockheed Martin policies such as CPS-730, Compliance with Anti-Corruption Laws, and CPS-310 (International Trade Controls and Compliance), and with all applicable U.S. and foreign laws. CRX-454 directs that the offset commitment be reviewed for any unusual terms and conditions, the appropriate selection of international sources, and the proper evaluation of bids and offers. Offset commitments, reports and transactions are managed and tracked in an online management system.</p> <p>Lockheed Martin has a dedicated organization that monitors and oversees the company's offset and industrial participation programs, projects and future opportunities. This dedicated organization monitors and oversees offsets throughout their lifecycle.</p>

Employee training requirements are available publicly on our Compliance Training webpage. Lockheed Martin provides focused anti-corruption awareness and compliance training to relevant employee groups, (e.g., business development, contracts, industrial participation and offsets, etc.) who may engage in international business and who need to be aware of general and specific risks associated with their functions.

Lockheed Martin provides focused anti-corruption awareness and compliance training to relevant employee groups, (e.g., business development, contracts, industrial participation and offsets, etc.) who may engage in international business and who need to be aware of general and specific risks associated with their functions.

[3] Anti-Corruption Program and Policies

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics/anti-corruption.html>

Due Diligence: Lockheed Martin policies, including CPS-730 (Compliance with Anti-Corruption Laws and CRX-011 (International Business Development Consultants), require that the company exercise risk-based due diligence before entering into third-party agreements, including for joint venture or teaming agreements and with suppliers and international consultants. Due diligence processes include, but are not limited to, establishing the third party's associated persons and ultimate beneficial ownership, ensuring a legitimate business justification and the legality of the proposed relationship, and confirming the continuing, likely legal and ethical business conduct of the party. These processes require fact-finding to identify any potential "red flags" and, even where no specific flags may otherwise be present, an understanding and application of general risk. For example, a potential business partner operating in a country with a Transparency International Corruption Perceptions Index score below 50 may require enhanced due diligence based on that fact alone. The due diligence process is not complete until appropriate anti-corruption representations and warranties, or other similar contract terms or certifications are obtained from the third party which require its understanding and agreement to abide by anti-bribery and anti-corruption standards. This requirement to abide by applicable anti-corruption standards is flowed down to subcontractors used by such third parties.

[2] Compliance with Anti-Corruption Laws

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf>

[p.2] This policy applies to all officers, members of the Board of Directors, and employees of the Corporation and its subsidiaries within and outside the U.S., and, by written agreement, all appropriate provisions apply to any domestic or international representative, distributor, reseller, consultant, broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation or its subsidiaries (each a "Covered Person", as defined in this policy).

[p.9] Anti-Corruption Due Diligence and Monitoring of International Third Parties, Agreements, and Acquisitions

8.14 Before establishing any business relationship with a third party on behalf of Lockheed Martin or its subsidiaries and affiliates, Covered Persons must consult with element Legal Counsel to determine the appropriate level of risk-based anti-corruption due diligence necessary to:

[...]

(3) inform the third party of the Corporation's compliance program and commitment to ethical business conduct and compliance with anti-corruption laws and obtain the third party's assurances that it will comply with such commitments. This requirement applies to proposed agreements and renewal of agreements with non-U.S. consultants, joint venture

[p.10] partners, acquisitions, teammates, subcontractors and suppliers, higher-tier customers or prime contractors, licensees, and other third parties performing services on behalf of Lockheed Martin (or its subsidiaries and affiliates), such as freight forwarders and customs brokers. As part of the due diligence and assurance process, Form C-730-1, International Anti-Corruption Questionnaire, Form C-730-2, Anti-Corruption Law Certification, or appropriate similar questions and representations may be required.

Question
8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?
Score
1
Comments
<p>There is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations. This process specifically includes checks on the beneficial ownership of any offset brokers or beneficiaries. As part of this process, the company's policy also commits to establishing and verifying that the offset obligation proposed is founded on a legitimate rationale.</p> <p>However, the company does not specifically mention checks on conflicts of interest for offset brokers and beneficiaries. It is also not clear whether the company refreshes due diligence at least every two years or whenever there is a significant change in the business relationship or nature of the partner.</p>
Evidence
<p>[27] Other Policies Related to Anti-Corruption Accessed 15/12/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf</p> <p>[p.5] CRX-011, International Business Development Consultants applies to consultants, representatives, agents, resellers, distributors, and offset brokers and establishes the requirements for due diligence (including verification of their associated persons and ultimate beneficial owners), oversight, and monitoring of consultant activities for anti-corruption compliance. All consultant agreements contain affirmative anti-corruption compliance representations and warranties.</p> <p>[p.8] CRX-454, Offset/Countertrade Commitments explicitly addresses the corruption risks associated with offset program proposals and management. The policy explains the process for obtaining approval for offset commitments and identifies who within the company is responsible for approving different types of offset commitments. The policy explains specific steps that the responsible Lockheed Martin functions must take to ensure that due diligence is conducted on the offset commitment being considered. This includes, but is not limited to, evaluating risk-based factors such as the location, type, and size of the commitment. This due diligence process also ensures that the commitment complies with Lockheed Martin policies such as CPS-730, Compliance with Anti-Corruption Laws, and CPS-310 (International Trade Controls and Compliance), and with all applicable U.S. and foreign laws. CRX-454 directs that the offset commitment be reviewed for any unusual terms and conditions, the appropriate selection of international sources, and the proper evaluation of bids and offers. Offset commitments, reports and transactions are managed and tracked in an online management system.</p> <p>[3] Anti-Corruption Program and Policies Accessed 15/12/2019 https://www.lockheedmartin.com/en-us/who-we-are/ethics/anti-corruption.html</p> <p>Due Diligence: Lockheed Martin policies, including CPS-730 (Compliance with Anti-Corruption Laws and CRX-011 (International Business Development Consultants), require that the company exercise risk-based due diligence before entering into third-party agreements, including for joint venture or teaming agreements and with suppliers and international consultants. Due diligence processes include, but are not limited to, establishing the third party's associated persons and ultimate beneficial ownership, ensuring a legitimate business justification and the legality of the proposed relationship, and confirming the continuing, likely legal and ethical business conduct of the party. These processes require fact-finding to identify any potential "red flags" and, even where no specific flags may otherwise be present, an understanding and application of general risk. For example, a potential business partner operating in a country with a Transparency International Corruption Perceptions Index score below 50 may require enhanced due diligence based on that fact alone. The due diligence process is not complete until appropriate anti-corruption representations and warranties, or other similar contract terms or certifications are obtained from the third party which require its understanding and agreement to abide by anti-bribery and anti-corruption standards. This requirement to abide by applicable anti-corruption standards is flowed down to subcontractors used by such third parties.</p> <p>[2] Compliance with Anti-Corruption Laws</p>

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf>

[p.2] [p.2] This policy applies to all officers, members of the Board of Directors, and employees of the Corporation and its subsidiaries within and outside the U.S., and, by written agreement, all appropriate provisions apply to any domestic or international representative, distributor, reseller, consultant, broker, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Corporation or its subsidiaries (each a "Covered Person", as defined in this policy).

[p.3] Due Diligence – A risk-based assessment of a third party to identify, mitigate, or resolve any information concerning the legal, ethical, reputational, financial, or other compliance risks that the third party may pose to Lockheed Martin before entering into a business relationship with the third party. Anti-corruption due diligence will be conducted in accordance with corporate policies, procedures, and guidance adopted by the ACPT.

[p.4] Third Party – An individual or entity other than Lockheed Martin such as a consultant, contractor, partner, competitor, joint venture partners, proposed acquisitions, teammates, supplier, subcontractors, higher-tier customers or prime contractors, licensees, freight forwarders, or customs brokers.

[p.5] 6.1 Lockheed Martin has established a comprehensive Anti-Corruption Program (ACP) to identify, manage, and mitigate corruption risks associated with the Corporation's business activities.

6.2 The ACP is built upon the following principles:

[p.6] Performance of risk-based due diligence of business relations;

[p.9] Anti-Corruption Due Diligence and Monitoring of International Third Parties, Agreements, and Acquisitions

8.14 Before establishing any business relationship with a third party on behalf of Lockheed Martin or its subsidiaries and affiliates, Covered Persons must consult with element Legal Counsel to determine the appropriate level of risk-based anti-corruption due diligence necessary to: (1) evaluate the business reputation of the third party and the risks posed to the Corporation in doing business with the third party; (2) understand and document the business rationale for including the third party; and (3) inform the third party of the Corporation's compliance program and commitment to ethical business conduct and compliance with anti-corruption laws and obtain the third party's assurances that it will comply with such commitments. This requirement applies to proposed agreements and renewal of agreements with non-U.S. consultants, joint venture

[p.10] partners, acquisitions, teammates, subcontractors and suppliers, higher-tier customers or prime contractors, licensees, and other third parties performing services on behalf of Lockheed Martin (or its subsidiaries and affiliates), such as freight forwarders and customs brokers. As part of the due diligence and assurance process, Form C-730-1, International Anti-Corruption Questionnaire, Form C-730-2, Anti-Corruption Law Certification, or appropriate similar questions and representations may be required.

8.15 Due diligence requires fact-collecting and will vary depending on the applicable risk factors, including any "red flags" presented by the establishment of a relationship with a potential party or transaction. Primary responsibility for fact-collecting rests with the Lockheed Martin individual responsible for establishing the business relationship who will ensure that Covered Persons provide necessary information and assistance to element Legal Counsel in carrying out due diligence.

8.16 Before entering into an international business relationship, as described in section 8.14, the Lockheed Martin individual responsible for establishing the relationship must have the written confirmation of element Legal Counsel and the written concurrence of a Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee that:

- Due diligence establishes sufficient evidence of likely future compliance with anticorruption laws;
- Any potential anti-corruption risks are mitigated; and
- The agreement contains adequate anti-corruption law compliance provisions, including necessary policies, procedures, and roles and responsibilities to ensure compliance in the case of a joint venture or teaming agreement.

8.17 During the term of any international agreement, the relevant business area Vice President & General Counsel will ensure that the original due diligence is periodically reassessed and updated for the continuing likelihood of

anti-corruption compliance by a teammate or partner and, in the case of a joint venture or teaming agreement, that associated compliance policies and procedures are effective.

8.18 Covered Persons must retain anti-corruption due diligence files in accordance with CRX008A, Corporate Records Retention Schedule, and as directed by the ACPT.

[p.13] 10.1 Lockheed Martin's automated Anti-Corruption Compliance Monitoring Program analyzes certain transactional data against identified anti-corruption red flags. Flagged transactions are subject to a multi-level review and final determination of compliance with this policy and anticorruption laws. The Responsible Officer for each business area and for certain corporate functional areas, as designated by the Vice President & General Counsel – Lockheed Martin International & Government Contracts, will assign appropriate persons ("Reviewers") to conduct the required reviews. Reviewers will comply with the Anti-Corruption Monitoring Process Guide, ensure timely review and sufficient response to a flagged transaction, and report any confirmed violation to the appropriate Vice President & Associate General Counsel – Lockheed Martin International & Government Contracts designee.

[3] Anti-Corruption Program and Policies

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics/anti-corruption.html>

Due Diligence: Lockheed Martin policies, including CPS-730 (Compliance with Anti-Corruption Laws and CRX-011 (International Business Development Consultants), require that the company exercise risk-based due diligence before entering into third-party agreements, including for joint venture or teaming agreements and with suppliers and international consultants. Due diligence processes include, but are not limited to, establishing the third party's associated persons and ultimate beneficial ownership, ensuring a legitimate business justification and the legality of the proposed relationship, and confirming the continuing, likely legal and ethical business conduct of the party. These processes require fact-finding to identify any potential "red flags" and, even where no specific flags may otherwise be present, an understanding and application of general risk. For example, a potential business partner operating in a country with a Transparency International Corruption Perceptions Index score below 50 may require enhanced due diligence based on that fact alone. The due diligence process is not complete until appropriate anti-corruption representations and warranties, or other similar contract terms or certifications are obtained from the third party which require its understanding and agreement to abide by anti-bribery and anti-corruption standards. This requirement to abide by applicable anti-corruption standards is flowed down to subcontractors used by such third parties.

Question
8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?
Score
0
Comments
The company does not publish any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of the company.
Evidence
No evidence found.

Question
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
Score
0
Comments
The company does not publish any details of its offset obligations and/or contracts.
Evidence
No evidence found.

9. High Risk Markets

Question
9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?
Score
2
Comments
<p>The company acknowledges the corruption risks associated with operating in different markets, and there is evidence that it has a risk assessment process in place to account for these specific risks, with clear risk management procedures in place. The results of risk assessments have a direct impact on business decisions and inform the development and implementation of additional controls. The company provides examples of such possible controls.</p>
Evidence
<p>[47] 2019 Sustainability Report Accessed 02/09/2020 https://sustainability.lockheedmartin.com/sustainability/downloads/Lockheed_Martin_Sustainability_Report_Full_2019.pdf [p.12] How Sustainability and Risk Management Work Together</p> <p>For Lockheed Martin, this strong relationship among sustainability, strategic thinking, business resilience, and enterprise risk is central. Risk management is a logical extension of sustainability, which helps us to liquidate risk, and keep our business viable not just for the next quarter, but for the next quarter century and beyond. To better reflect the deep connections between the two, we aligned Sustainability and Enterprise Risk Management (ERM) under one department managed by our Director of Enterprise Risk and Sustainability. As a result, we can characterize human capital and manufacturing risks more accurately and strictly to enforce risk controls such as corporate policies and resource allocation for decisions. Enterprise risk and sustainability are mutually reinforced through the following processes:</p> <p>Risk Identification: We monitor a dynamic risk universe that includes ESG topics prevalent in voluntary frameworks, mandatory regulations, and internally identified sources.</p> <p>Risk Assessment: We prioritize and evaluate assumptions from a diverse set of risk topics relevant to strategic and operational objectives. This includes examining environmental and social factors applicable to risk topics in our business.</p> <p>Risk Controls and Mitigation: Through the Risk Audit Strategy Board, which conducts a periodic, rigorous examination of the intersection between our Enterprise Risk Matrix and our internal audit plan, we mitigate risk related to several ESG factors, and we track, measure, and report our performance for greater transparency. This process also informs how we evaluate the effectiveness of controls for risk elements identified through our enterprise risk assessments, corporate policies, and internal audits. During our most recent biennial compliance risk assessment, approximately 75% of the issues for which an action was recommended were adopted by the risk owners and completed. In the remaining 25%, the risk was further evaluated and determined to not be serious.</p> <p>[p.21] Goals</p> <p>[...]</p> <p>Complete annual audit plan of international development consultants identified through structured risk assessment of 100% of this consultant population.</p> <p>Progress</p> <p>We completed the annual risk assessments and completed the audit plan of international business development consultants for 2020. For additional information on our Anti-Corruption and Program, please see our public website.</p>

[...]

Automated, efficient monitoring – We launched an improved tool for automated anti-corruption monitoring. The tool allows us to analyze flagged transaction records from more data sources, improving both accuracy and efficiency. The result is more efficient use of human review time and analysis of flagged transactions, which in turn allows for rapid and focused attention on specific flagged transactions. The tool also enables us to better identify the public officials and countries with which we most frequently engage, and which groups of employees might benefit from refresher training on gifts and business courtesy so that they are well-equipped to create plans for mitigating associated risks.

[p.23] International sales of Lockheed Martin defense products and services occur on a government-to-government basis via Foreign Military Sales (FMS) programs, and by Direct Commercial Sales from Lockheed Martin to our customers. Both forms of transactions are authorized by the Arms Export Control Act (AECA) and support U.S. foreign policy objectives. FMS sales are funded by administrative charges to the customer and operated at no cost to taxpayers. The Defense Security Cooperation Agency (DSCA) manages FMS sales for the U.S. Department of Defense. These activities are regulated by the U.S. government and are reviewed and approved by the Executive Branch and Congress to ensure that they support U.S. national security and foreign policy objectives. The applicable regulatory processes stipulate the roles of these branches of government to consider the risk that an arms transfer contributes to abuses of human rights.

With FMS, it is common for contracts with purchasing countries to require that Lockheed Martin buy or invest in that country's resources. This is commonly called an offset obligation. Lockheed Martin has a dedicated organization that monitors and oversees the company's offset programs. Some countries allow and may require offsets in the form of direct foreign investment, technology transfer, or other business relationships with non-defense economic sectors. We view this as an opportunity to contribute to sustainable development initiatives globally. Commensurate U.S. business activities are subject to multiple policies, procedures, and contractual obligations, including but not limited to those itemized in Lockheed Martin's human rights policy and related codes of conduct.

Goals

Maintain transparency of hardware exports made without regulatory authorizations as a percentage of all exports. Progress We do not disclose performance data deemed competitive and proprietary. A reporting process is in place for unauthorized hardware exports to minimize associated risk.

[27] Other Policies Related to Anti-Corruption

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf>

[p.2] CPS-011 (Internal Control and Enterprise Risk Management) identifies the business and governance processes and operating activities the corporation uses to provide reasonable assurance that objectives will be achieved. This includes methods for ensuring effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable policies, laws, and regulations. In addition, the policy sets forth the requirement for executing an Enterprise Risk Management (ERM) program, along with the processes and tools used to effectively identify and manage risk, both within the U.S. and in non-U.S. regions where the company does business.

ERM includes the use of control activities to mitigate risk, and monitoring activities to evaluate performance quality and communicate areas for improvement. The policy states that the Senior Vice President, Ethics and Enterprise Assurance, has responsibility to establish and maintain an effective enterprise risk management program, to chair the Risk and Compliance Committee, and to serve as liaison to and member of the Integrated Risk Council.

As part of its risk management activities, ERM partners with Internal Audit and the Ethics and Business Conduct departments to conduct a biennial Compliance Risk Assessment (CRA) that includes Bribery and Anti-Corruption topics. The CRA includes a review of the effectiveness of company controls and management oversight, and includes a review of risk categories such as partnerships, Joint Ventures, and other special-purpose entities, including international entities.

[2] Compliance with Anti-Corruption Laws

Accessed 15/12/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf>

[p.5] 6.1 Lockheed Martin has established a comprehensive Anti-Corruption Program (ACP) to identify, manage, and mitigate corruption risks associated with the Corporation's business activities.

6.2 The ACP is built upon the following principles:

[p.6] • Continuous assessment and monitoring of corruption risks to ensure appropriate steps are taken to mitigate and prevent occurrence;

[37] 2018 Sustainability Report

Accessed 28/09/2019

https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/Lockheed_Martin_Sustainability_Report_Full_2018.pdf?_ga=2.52021929.1889726572.1569701320-89358915.1569486386

[p.12] HOW SUSTAINABILITY AND RISK MANAGEMENT WORK TOGETHER

At Lockheed Martin, we see a strong relationship between business resilience and enterprise risk. Risk management is a natural extension of sustainability and both keep the business viable not just for the next quarter, but for the next quarter century and beyond.

We aligned Sustainability and Enterprise Risk Management (ERM) under one department managed by our Director of Enterprise Risk and Sustainability.

- Our risk assessments explicitly probe sustainability factors for business impact, likelihood of occurrence and confidence in controls.
- Our performance tracking against sustainability goals informs acceptable risk tolerance levels and consistency of public disclosures and reporting.
- The benefits of coordinating these efforts extend to our business operations and support our core sustainability issues. Greater integration between sustainability and ERM enables our management teams to tap risk assessments and sustainability performance when conducting scenario planning exercises

[3] Anti-Corruption Program and Policies (webpage)

Accessed 15/12/2019

<https://www.lockheedmartin.com/en-us/who-we-are/ethics/anti-corruption.html>

Due Diligence: Lockheed Martin requires and exercises risk-based due diligence before entering into third-party agreements, including for joint venture or teaming agreements and with suppliers and international consultants (e.g. agents, representatives, brokers, resellers or distributors). Due diligence processes include, but are not limited to, establishing beneficial ownership, ensuring a legitimate business justification, and confirming the likely legal and ethical business conduct of the party and the relationship. These processes require fact-finding to identify any potential “red flags” and, even where no specific flags may otherwise be present, an understanding and application of general risk. For example, a potential business partner operating in a country with a Transparency International Corruption Perceptions Index score below 50 may require enhanced due diligence based on that fact alone.

[40] 2019 Proxy Statement

Accessed 28/09/2019

<https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/annual-reports/2019-proxy-statement.pdf>

[p.28] Enterprise Risk and Sustainability Priorities

Our sustainability strategy aligns stakeholder priorities with our Corporation’s ESG impacts. To build integrated assurance, enterprise risk and sustainability are managed jointly in one department and mutually reinforced through the following processes:

- Risk Identification: We monitor a dynamic risk universe that includes ESG topics prevalent in voluntary frameworks, mandatory regulations, and internally identified sources.
- Risk Assessment: We prioritize and evaluate assumptions from a diverse set of risk topics that are relevant to strategic and operational objectives. This includes examining environmental and social factors applicable to risk topics in our business.
- Risk Controls and Mitigation: Through the Risk Audit Strategy Board (a periodic, rigorous examination of intersection between our Enterprise Risk heat map index and our internal audit plan) we mitigate risk

related to several ESG factors, and we track, measure and report our performance for greater transparency. This process also informs how we evaluate the effectiveness of controls for risk elements identified through our enterprise risk assessments, corporate policies and internal audits.

Question																																				
9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?																																				
Score																																				
1																																				
Comments																																				
<p>The company discloses a list of its subsidiaries in its annual filing to the U.S. Securities and Exchange Commission.</p> <p>However, the company receives a score of '1' because this disclosure does not show the percentage ownership for each entity, and there is evidence to suggest that the list is not complete. While the company refers to the place of incorporation of the subsidiaries listed, it does not provide information on the subsidiaries' countries of operation.</p>																																				
Evidence																																				
<p>[39] Form 10-K 2018 Accessed 28/09/2019 https://investors.lockheedmartin.com/static-files/141388f7-0aec-492e-8fb1-9884c4d91ee2 [p.190]</p> <p style="text-align: right;">Exhibit 21</p> <p style="text-align: center;">Subsidiaries of Lockheed Martin Corporation</p> <table><tr><th>Name of Subsidiary</th><th>Place of Formation</th></tr><tr><td>AWE Management Limited</td><td>United Kingdom</td></tr><tr><td>AWE PLC</td><td>United Kingdom</td></tr><tr><td>Helicopter Support, Inc.</td><td>Connecticut</td></tr><tr><td>Lockheed Martin Aerospace Systems Integration, LLC</td><td>Delaware</td></tr><tr><td>Lockheed Martin Australia Pty Limited</td><td>Australia</td></tr><tr><td>Lockheed Martin Canada Inc.</td><td>Canada</td></tr><tr><td>Lockheed Martin Engine Investments, LLC</td><td>Delaware</td></tr><tr><td>Lockheed Martin Global, Inc.</td><td>Delaware</td></tr><tr><td>Lockheed Martin Investments Inc.</td><td>Delaware</td></tr><tr><td>Lockheed Martin Overseas, LLC</td><td>Delaware</td></tr><tr><td>Lockheed Martin Space Alliance Company</td><td>Delaware</td></tr><tr><td>Lockheed Martin UK Ampthill Limited</td><td>United Kingdom</td></tr><tr><td>Lockheed Martin UK Limited</td><td>United Kingdom</td></tr><tr><td>Polskie Zakłady Lotnicze Sp. Zo.o</td><td>Poland</td></tr><tr><td>Sikorsky Aircraft Corporation</td><td>Delaware</td></tr><tr><td>Sikorsky International Operations, Inc.</td><td>Delaware</td></tr><tr><td>Zeta Associates, Inc.</td><td>Virginia</td></tr></table> <p>We have additional operating subsidiaries that, if considered in the aggregate as a single subsidiary, do not constitute a significant subsidiary.</p> <p>All of the above listed subsidiaries have been consolidated in our consolidated financial statements.</p>	Name of Subsidiary	Place of Formation	AWE Management Limited	United Kingdom	AWE PLC	United Kingdom	Helicopter Support, Inc.	Connecticut	Lockheed Martin Aerospace Systems Integration, LLC	Delaware	Lockheed Martin Australia Pty Limited	Australia	Lockheed Martin Canada Inc.	Canada	Lockheed Martin Engine Investments, LLC	Delaware	Lockheed Martin Global, Inc.	Delaware	Lockheed Martin Investments Inc.	Delaware	Lockheed Martin Overseas, LLC	Delaware	Lockheed Martin Space Alliance Company	Delaware	Lockheed Martin UK Ampthill Limited	United Kingdom	Lockheed Martin UK Limited	United Kingdom	Polskie Zakłady Lotnicze Sp. Zo.o	Poland	Sikorsky Aircraft Corporation	Delaware	Sikorsky International Operations, Inc.	Delaware	Zeta Associates, Inc.	Virginia
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Sikorsky Aircraft Corporation	Delaware																																			
Sikorsky International Operations, Inc.	Delaware																																			
Zeta Associates, Inc.	Virginia																																			

Question**9.3 Does the company disclose its beneficial ownership and control structure?****Score****2****Comments**

The company is publicly-listed on the New York Stock Exchange and therefore automatically receives a score of '2'.

Evidence**[42] Financial Times Markets Data (webpage)**

Accessed 14/10/2019

<https://markets.ft.com/data/equities/tearsheet/summary?s=LMT:NYQ>

Lockheed Martin Corp

LMT:NYQ ▼

Industrials > Aerospace & Defense

PRICE (USD)	TODAY'S CHANGE	SHARES TRADED	1 YEAR CHANGE	BETA
384.01	↑2.54 / 0.67%	160.36k	↑17.21%	0.9609

Data delayed at least 15 minutes, as of Oct 14 2019 16:14 BST.

[39] Form 10-K 2018

Accessed 28/09/2019

<https://investors.lockheedmartin.com/static-files/141388f7-0aec-492e-8fb1-9884c4d91ee2>

[p.1]

LOCKHEED MARTIN CORPORATION

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

52-1893632

(I.R.S. Employer Identification No.)

6801 Rockledge Drive, Bethesda, Maryland 20817-1877 (301/897-6000)



(Address and telephone number of principal executive offices)


Securities registered pursuant to Section 12(b) of the Act:Title of each class


Common Stock, \$1 par value


Name of each exchange on which registered

New York Stock Exchange

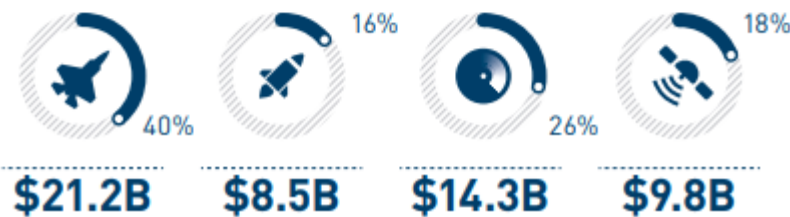
Question
9.4 Does the company publish a percentage breakdown of its defence sales by customer?
Score
1
Comments
<p>The company publishes a percentage breakdown of the customers that account for 60% of its defence sales for the most recently reported financial year. The company also discloses that approximately 12% of its commercial sales go to the U.S. Government, but it does not provide any additional detail on the remaining 28% of its international sales (i.e. customer or defence/commercial).</p> <p>The company receives a score of '1' because it does not publish at least 80% of its sales.</p>
Evidence
<p>[39] Form 10-K 2018 Accessed 28/09/2019 https://investors.lockheedmartin.com/static-files/141388f7-0aec-492e-8fb1-9884c4d91ee2 [p.3] We serve both U.S. and international customers with products and services that have defense, civil and commercial applications, with our principal customers being agencies of the U.S. Government. In 2018, 70% of our \$53.8 billion in net sales were from the U.S. Government, either as a prime contractor or as a subcontractor (including 60% from the Department of Defense (DoD)), 28% were from international customers (including foreign military sales (FMS) contracted through the U.S. Government) and 2% were from U.S. commercial and other customers.</p> <p>[37] 2018 Sustainability Report Accessed 28/09/2019 https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/Lockheed_Martin_Sustainability_Report_Full_2018.pdf?_ga=2.52021929.1889726572.1569701320-89358915.1569486386 [p.1]</p> <p>OUR 2018 BUSINESS IMPACT¹</p> <p>CUSTOMERS</p>  <ul style="list-style-type: none"> ● 60% U.S. Department of Defense (DoD) ● 28% International² ● 10% U.S. Civil, National Aeronautics and Space Administration (NASA) and Intelligence Agencies ● 2% Commercial <p>² Foreign military sales to governments and direct commercial sales to international customers.</p> <p>[p.1] HOW WE ARE ORGANIZED We have four business segments dedicated to specific products and services. Our employees also work with Lockheed Martin International, which supports products, technologies and services to meet global customers' national security and citizen services needs; and Enterprise Operations, comprised of headquarters personnel, business function personnel and enterprise-wide shared services centers.</p> <p> Aeronautics \$21.2B, 40%: 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.</p>

 ▶ **Missiles and Fire Control \$8.5B, 16%:** Design and development of air and missile defense systems; tactical missiles and air-to-ground precision strike weapon systems; logistics; fire control systems; mission operations support, readiness, engineering support and integration services; manned and unmanned ground vehicles; and energy management solutions.

 ▶ **Rotary and Mission Systems \$14.3B, 26%:** Design, manufacture, service and support for various military and commercial helicopter, 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 (LCS), simulation and training services and unmanned systems and technologies.

 ▶ **Space \$9.8B, 18%:** Research and development, design, engineering and production of satellites, strategic and defensive missile systems and space transportation systems.

NET SALES



10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
N/A
Comments
N/A
Evidence

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
N/A
Comments
N/A
Evidence

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
N/A
Comments
N/A
Evidence

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
N/A
Comments
N/A
Evidence

Question
10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?
Score
N/A
Comments
N/A
Evidence

List of Evidence & Sources

No	Type (Webpage or Document)	Name	Download Date	Link
01	Document	Code of Ethics and Business Conduct	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/code-of-conduct.pdf
02	Document	Compliance with Anti-Corruption Laws	15/12/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-730.pdf
03	Webpage	Anti-Corruption Program and Policies	15/12/2019	https://www.lockheedmartin.com/en-us/who-we-are/ethics/anti-corruption.html
04	Document	Gifts, Hospitality, Other Business Courtesies, and Sponsorships	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-008.pdf
05	Document	Ethics and Business Conduct	15/12/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-001.pdf
06	Document	International Anti-Corruption Questionnaire	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/c-730-1.pdf
07	Document	Anti-Corruption Law Certification	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/c-730-2.pdf
08	Document	Bribery and Corruption Red Flags	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/corruption-red-flags.pdf
09	Document	Gifts, Hospitality, Other Business Courtesies, and Sponsorships. Frequently Asked Questions.	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-008-faqs.pdf
10	Document	CRX-014, Individual Conflict of Interest, Frequently Asked Questions and Illustrations	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/conflict-of-interest-faqs.pdf
11	Webpage	Gifts, Hospitality, Other Business Courtesies Support Tool	28/09/2019	https://www.lockheedmartin.com/en-us/who-we-are/ethics/decision-tree/index.html#
12	Document	Compliance Certification Sponsorships Non-US Recipient	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/compliance-certification-sponsorships-non-us.docx
13	Document	Compliance Certification Sponsorships US Recipient	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/compliance-certification-sponsorships-us.docx
14	Document	CPS-008 Exception Request	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-008-exception-request.xlsx
15	Document	How the Ethics Process Works	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/how-ethics-process-works.pdf
16	Document	Supplier Code of Conduct	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/supplier-code.pdf
17	Webpage	Supplier ethics	28/09/2019	https://www.lockheedmartin.com/en-us/suppliers/supplier-ethics.html
18	Document	Supplier Self-Assessment Tool	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/supplier-self-assessment-tool.xlsx
19	Webpage	Ethics	15/12/2019	https://www.lockheedmartin.com/en-us/who-we-are/ethics.html
20	Webpage	Business conduct compliance training	28/09/2019	https://www.lockheedmartin.com/en-us/who-we-are/ethics/business-conduct-compliance-training.html
21	Document	FAQs 2019 Ethics Awareness Training	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/FAQs.pdf

22	Webpage	Integrity minute	28/09/2019	https://www.lockheedmartin.com/en-us/who-we-are/ethics/integrity-minute.html
23	Document	2019 Leader's Guide. Voicing our Values	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/2019-VOV-Leaders-Guide.pdf
24	Webpage	Ethics awareness training	28/09/2019	https://www.lockheedmartin.com/en-us/who-we-are/ethics/ethics-awareness-training.html
25	Document	Disclosures to the United States Government	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/cps-718.pdf
26	Document	CRX-021 Internal Investigations	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/crx-021.pdf
27	Document	Other Policies Related to Anti-Corruption	15/12/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/ethics/other-anticorruption-policies.pdf
28	Webpage	Political disclosures	28/09/2019	https://www.lockheedmartin.com/en-us/who-we-are/leadership-governance/board-of-directors/political-disclosures.html
29	Document	Corporate State Contributions 2018	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/Corporate-State-Contributions-2018.pdf
30	Document	Governors Association Contributions 2018	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/Governors-Association-Contributions-2018.pdf
31	Document	LMEPAC Disbursements – 2018	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/LMEPAC-Disbursements-2018.pdf
32	Document	Trade Association Dues – 2018	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/Trade-Association-Dues-2018.pdf
33	Document	Lobbying Report 4th Quarter 2018	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/Lobbying-Report-4th-Quarter-2018.pdf
34	Webpage	In the community	28/09/2019	https://www.lockheedmartin.com/en-us/who-we-are/communities.html
35	Document	Corporate Governance Guidelines	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/leadership/Corporate-Governance-Guidelines.pdf
36	Document	By laws	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/leadership/Lockheed-Martin-Bylaws.pdf
37	Document	2018 Sustainability Report	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/Lockheed_Martin_Sustainability_Report_Full_2018.pdf?_ga=2.52021929.1889726572.1569701320-89358915.1569486386
38	Document	Independent Assurance Statement	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/sustainability/2018%20Lockheed%20Martin%20Sustainability%20Report%20and%20GHG%20Verification%20Assurance_Final_4.18.19.pdf
39	Document	Form 10-K 2018	28/09/2019	https://investors.lockheedmartin.com/static-files/141388f7-0aec-492e-8fb1-9884c4d91ee2
40	Document	2019 Proxy Statement	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/annual-reports/2019-proxy-statement.pdf
41	Document	2019 Factsheet	28/09/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/2019-lockheed-martin-fact-sheet.pdf
42	Webpage	Financial Times Markets Data	14/10/2019	https://markets.ft.com/data/equities/tearsheet/summary?s=LMT:NYQ
43	Document	Lobbying Report 3rd Quarter 2018	14/10/2019	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/governance/Lobbying-Report-3rd-Quarter-2018.pdf

44	Webpage	Nominating and Corporate Governance Charter	15/12/2019	https://www.lockheedmartin.com/en-us/who-we-are/leadership-governance/board-of-directors/nominating-corporate-governance-committee-charter.html
45	Webpage	Audit Committee Charter	15/12/2019	https://www.lockheedmartin.com/en-us/who-we-are/leadership-governance/board-of-directors/audit-committee-charter.html
46	Webpage	Full Spectrum Leadership	15/12/2019	https://www.lockheedmartin.com/en-us/who-we-are/leadership-governance/full-spectrum-leadership.html
47	Document	2019 Sustainability Report	02/09/2020	https://sustainability.lockheedmartin.com/sustainability/downloads/Lockheed_Martin_Sustainability_Report_Full_2019.pdf
48	Document	2019 Annual Report	02/09/2020	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/annual-reports/lockheed-martin-annual-report-2019.pdf
49	Document	2020 Proxy Statement	02/09/2020	https://www.lockheedmartin.com/content/dam/lockheed-martin/eo/documents/annual-reports/2020-proxy-statement.pdf