

Other Policies Related to Anti-Corruption

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 is committed to responsible lobbying.

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.

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.

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

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.

The Lockheed Martin policy on Individual Conflict of Interest, CRX-014, applies to all Lockheed Martin employees and consultants, and prohibits actual conflicts of interest as well as activities that create the appearance of a conflict of interest.

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.

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.

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.

CPS-016, Mergers, Acquisitions, Divestitures, Business Ventures, and Investments mandates compliance with all laws and regulations that apply to these activities. The policy also requires the appropriate due diligence be conducted on the target entity.

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.

CPS-716, Compliance with the Anti-Kickback Act of 1986 requires that employees who buy goods or services for Lockheed Martin or are involved in the procurement process must not accept gifts from subcontractors and suppliers, except advertising or promotional items of nominal value. Global Supply Chain Operations (GSCO) must ensure that Lockheed Martin informs its suppliers and subcontractors annually in writing of its policy pertaining to gifts, gratuities, and business courtesies, emphasizing that it is unacceptable for Lockheed Martin

employees to violate this policy, and that potential violations of this policy should be reported to Lockheed Martin management.

CPS-718, Disclosures to the United States Government requires timely reporting to the Office of Inspector General and Contracting Officer when there is credible evidence of potential violation of certain federal criminal laws, a violation of the U.S. Civil False Claims Act, or a significant overpayment. The policy further states that there may be some violations of law or significant employee misconduct that are not Reportable Violations under FAR 52.203-13 but that Lockheed Martin wishes to disclose these voluntarily in the spirit of maintaining the highest standards of business ethics and transparency with U.S. government agencies. Examples of such conduct may include violations of the federal securities laws, violations of the Anti-Corruption Laws for commercial contracts, or violations of procurement laws that are not covered by FAR 52.203-13.

CPS-720, Compliance with Antitrust Laws defines specific practices prohibited by the Antitrust Laws and provides guidelines for understanding the primary areas of antitrust concern. The policy also specifies the ramifications of violation for the employee and Lockheed Martin.

CRX-010, U.S. Business Development Consultants and **CRX-011, International Business Development Consultants** describe the Corporation's process for conducting due diligence on domestic and international consultants, respectively, at the time of the consultants' initial appointment or contract renewal. The policies limit consultant agreements to a maximum term of two years, with due diligence refreshed at such intervals. The policies also require that consultants receive, acknowledge, are trained on and comply with the Corporation's Code of Ethics and Business Conduct. As stated in policy [CPS-001](#), Ethics and Business Conduct, the Lockheed Martin ethics and business conduct program applies to all who represent or act for the corporation. 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.

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

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.

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.

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.

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 annually 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.

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

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.

CRX-025, Teaming Agreements applies to all teaming agreements being contemplated by any Lockheed Martin operating company, division, business area, functional organization, or wholly owned subsidiary (including international subsidiaries). The policy outlines implementation plans governing the identification of teammates and the negotiation, execution, performance, and termination of teaming agreements. Each agreement specifically requires performance of an antitrust analysis by Legal Counsel and compliance with the due diligence obligations.

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.

CRX-325, Business Travel requires compliance with applicable laws and regulations, customer requirements, Lockheed Martin's Code of Ethics & Business Conduct and applicable policies and procedures, including compliance with U.S. Anti-boycott and Anti-Corruption Laws.

CRX-327, Commercial Cards explains when and why these tools are used for the payment of authorized expenses. The policy specifically prohibits use of commercial cards for any payments to a Public Official or for consultant services.

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.

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.

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.

CRX-526, Corporate Aircraft describes the process for using corporate aircraft, procedure for scheduling, and associated responsibilities. The policy specifies required approvals to transport any non-employee, including Public Officials, on corporate aircraft.

Clawback and Other Protective Provisions

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 behavioral commitments aligning to the Corporation's core values (Do What's Right, Respect Others and Perform with Excellence). More information about Lockheed Martin's compensation and corporate governance practices are publicly disclosed as contained in the [2019 Proxy Statement](#), as well as the Corporation's [Corporate Governance Guidelines](#).