

LOCKHEED MARTIN CORP
Form DEF 14A
March 13, 2015

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SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | | | |
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| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Soliciting Material Under Rule 14a-12 |
| <input type="checkbox"/> | Confidential, For Use of the
Commission Only (as permitted
by Rule 14a-6(e)(2)) | | |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement | | |
| <input type="checkbox"/> | Definitive Additional Materials | | |

Lockheed Martin Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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March 13, 2015

Dear Fellow Stockholders:

On behalf of the Board of Directors, I would like to invite you to attend our 2015 Annual Meeting of Stockholders. We will meet on Thursday, April 23, 2015, at 8:00 a.m. Eastern Daylight Savings Time, at the Lockheed Martin Center for Leadership Excellence Auditorium, 6777 Rockledge Drive, Bethesda, Maryland 20817.

Our Lead Director, Douglas H. McCorkindale, will retire from the Board upon expiration of his term at the Annual Meeting due to the mandatory retirement provision in our Bylaws. We are extremely grateful for his guidance and contributions as a member of the Board of Directors for the past 14 years, and wish him all the best in retirement. The independent directors of our Board have elected Nolan D. Archibald as our new Lead Director, effective following the Annual Meeting, subject to his re-election to the Board. Mr. Archibald's biography is on page 22.

Our performance in 2014 resulted in increased earnings per share and strong cash generation for our stockholders. We delivered total stockholder return of 34 percent, including \$1.8 billion in dividends. This was our twelfth consecutive year of double-digit dividend growth.

As we look ahead to 2015, we remain focused on delivering for our customers, returning value to our stockholders, advancing our technologies, and investing in our people. We continue our commitment to corporate governance and executive compensation best practices.

Your vote is important. We urge you to vote promptly, even if you plan to attend the Annual Meeting. The accompanying Notice and Proxy Statement provide information about the matters on which you may vote. If you wish to attend the meeting in person, please follow the advance registration instructions in the Proxy Statement.

Thank you for your continued support of Lockheed Martin.

Sincerely,

Marillyn A. Hewson
Chairman, President and Chief Executive Officer

As a stockholder, your vote is important to our continued success. Please vote your shares today.

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Lockheed Martin Corporation
6801 Rockledge Drive Bethesda, MD 20817

**Notice of 2015 Annual
Meeting of Stockholders**

Thursday, April 23, 2015

8:00 a.m. Eastern Daylight Savings Time

Lockheed Martin Center for Leadership Excellence Auditorium, 6777 Rockledge Drive, Bethesda, Maryland 20817

Lockheed Martin Corporation stockholders of record at the close of business on February 27, 2015, are entitled to receive notice of, and to vote at, the Annual Meeting.

Items of Business:

1. Election of 11 director-nominees to serve on the Board for a one-year term ending at next year's Annual Meeting;
2. Ratification of the appointment of Ernst & Young LLP, an independent registered public accounting firm, as our independent auditors for 2015;
3. Advisory vote to approve the compensation of our named executive officers;
4. Consideration of two stockholder proposals described in the accompanying Proxy Statement, if properly presented at the Annual Meeting; and
5. Consideration of any other matters that may properly come before the meeting.

We have enclosed our 2014 Annual Report to Stockholders. The report is not part of the proxy soliciting materials for the Annual Meeting.

Please vote your shares at your earliest convenience. This will help us to ensure the presence of a quorum at the meeting. Promptly voting your shares via the Internet, by telephone, by scanning the QR code with a mobile device, or by signing, dating, and returning the enclosed proxy card will save the expense of additional solicitation. If you wish to vote by mail, we have enclosed a self-addressed, postage prepaid envelope. Submitting your proxy now will not prevent you from voting your shares at the meeting, as your proxy is revocable at your option.

If you wish to attend the meeting in person, please follow the advance registration instructions on page 80 of the Proxy Statement. For security reasons, all hand-carried items will be subject to inspection, and all bags, briefcases, and packages must be checked.

Sincerely,

Maryanne R. Lavan
Senior Vice President, General Counsel and Corporate Secretary
March 13, 2015

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on April 23, 2015: The 2015 Proxy Statement and 2014 Annual Report are available at <http://www.lockheedmartin.com/investor>.

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Proxy Summary

PROXY STATEMENT

The Board of Directors (the **Board**) of Lockheed Martin Corporation (the **Corporation**) is providing the Notice of 2015 Annual Meeting of Stockholders, this Proxy Statement, and the proxy card (**Proxy Materials**) in connection with the Corporation's solicitation of proxies to be voted at the Annual Meeting of Stockholders (the **Annual Meeting**) to be held on April 23, 2015, at 8:00 a.m. Eastern Daylight Savings Time, at the Lockheed Martin Center for Leadership Excellence Auditorium, 6777 Rockledge Drive, Bethesda, Maryland 20817, and at any adjournment or postponement thereof. Proxy Materials or a Notice of Internet Availability were first sent to stockholders on or about March 13, 2015.

PROXY SUMMARY

This summary highlights information contained elsewhere in our Proxy Statement. The summary does not contain all of the information that you should consider, and we encourage you to read the entire Proxy Statement carefully.

**STOCKHOLDERS BENEFIT FROM LOCKHEED
MARTIN'S STRONG 2014 PERFORMANCE**

2014 Financial Measures*	2014 Goals		Reported/Assessed Results	2014 Annual Incentive Assessment
	(\$)		(\$)	
Orders	41,500	43,000M	43,283M	Exceeded
Sales	44,000	45,500M	45,600M	Exceeded
Segment Operating Profit*	5,175	5,325M	5,588M	Exceeded
Cash from Operations	≥ 4,600M		3,866M/4,866M	Exceeded**

* We use the following non-GAAP terms in this Proxy Statement: **Segment Operating Profit**, **Return on Invested Capital (ROIC)**, and **Performance Cash** which are defined in Appendix A. Please refer to Appendix A for an explanation of these terms as well as our disclosure regarding forward-looking statements concerning future performance or goals for future performance.

**In assessing performance against our cash from operations goal, we add back unplanned pension contributions so that the impact on annual incentive compensation is not a factor in the decision to make the additional pension contribution. Therefore, cash from operations was assessed after adding back \$1 billion in unplanned contributions made to the pension fund in the 4th quarter 2014. Based on an adjusted result of \$4,866M, the Management Development and Compensation Committee determined that the target was Exceeded.

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Investor Outreach

We actively engage with our investors as part of our annual corporate governance cycle. This includes, as appropriate, the direct involvement of senior management. During 2014, we held 36 meetings or telephone conferences with institutional investors and other interested stockholders. These stockholders represented more than 40 percent of the Corporation's outstanding shares.

In response to investor feedback received in 2014, we enhanced our corporate governance disclosure on:

Board composition and mix of skills and qualifications.

Board role in strategic planning.

Board succession planning.

Our 2014 Compensation Programs

Reflect Investor Input

Burn Rate. The number of shares used for equity grants in 2014 and in 2013 is significantly less than shares used in prior years.

Alignment with Stockholder Interests. Nearly three quarters of the Chief Executive Officer's (CEO) target compensation opportunity is in the form of long-term incentives, of which the vast majority is equity-based, directly aligning with stockholder interests.

Pay for Performance. Seventy percent of the target value of long-term incentive awards granted to the CEO will be earned based upon achievement of specific and measurable goals approved at the beginning of 2014.

Performance Metrics. 2014 annual incentive compensation reflects pre-established financial, strategic, and operational goals with the financial goals weighted the heaviest at 60 percent. Enterprise level goals were based on our publicly disclosed guidance to investors.

Market-Based Compensation. 2014 total target compensation for all named executive officers is at or below the 50th percentile of our comparator group.

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2014 Board Composition, Qualifications, and Diversity

Independence	Board Tenure
Gender	Age

Leadership Experience

8 directors are current or former Chief Executive Officers who add to the effectiveness of the Board through their leadership experience in large, complex organizations and their expertise in corporate governance, international business operations, strategic planning, and risk management.

International Experience

9 directors have broad leadership experience with multinational companies or in international markets.

Financial Experts

4 directors meet the Securities and Exchange Commission's criteria as audit committee financial experts.

Government/Military Experience

4 directors have served in senior government or senior military positions and provide experience and insight into our industry and working with our core customers and governments around the world.

Stockholder Rights

Annual Election of Directors	Majority Voting for Directors	Mandatory Retirement Age for Directors	Right to Call Special Meeting	No Poison Pill
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Governance Best Practices

Independent Directors Meet Regularly Without Management	Stock Ownership Guidelines for Directors and Officers	Overboarding Policy	Robust Succession Planning	Annual Board Self-Assessment
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You can vote in the following ways:

Via the Internet Visit http://www.investorvote.com	By Telephone In the United States, Canada, and Puerto Rico, call 1-800-652-8683; outside the United States call 1-781-575-2300.	By Mail Mark, date, and sign your proxy card or voting instruction form and return it in the accompanying postage prepaid envelope.	QR Code Scan this QR code to vote with your mobile device.	In Person Attend the meeting to vote in person.
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Attendance at the Annual Meeting

If you plan to attend the Annual Meeting, you must be a stockholder as of the record date (February 27, 2015) and obtain an admission ticket in advance following the instructions set forth on page 80.

Requests for admission tickets will be processed in the order in which they are received and must be received no later than April 17, 2015. On the day of the Annual Meeting, each stockholder will be required to present valid, government-issued photographic identification (such as a driver's license or passport) with his or her admission ticket. The Annual Meeting will begin promptly at 8:00 a.m. You also will be required to enter through a security check point before being granted access into the Annual Meeting. Cameras, cell phones, and other electronic devices will not be permitted in the Annual Meeting. All hand-carried items will be subject to inspection and all bags, briefcases, and packages must be checked. The Corporation may implement additional security procedures to ensure the safety of the meeting attendees.

Directions to the Annual Meeting Location**From Dulles International Airport**

Dulles Airport Access Road to VA-267 E
Merge onto I-495 N toward Baltimore/Bethesda
Take exit 38 for I-270 SPUR N toward Rockville/Frederick
Take exit 1 for Democracy Blvd E
Turn left at Fernwood Road
Turn right at Rockledge Drive
Turn right to Parking Garage at 6720-C Rockledge Drive

From Ronald Reagan National Airport

George Washington Pkwy N
Exit onto I-495 N toward Baltimore/Bethesda
Exit onto I-270 SPUR N toward Rockville/Frederick
Take Exit 1 for Democracy Blvd E
Turn left at Fernwood Road
Turn right at Rockledge Drive
Turn right to Parking Garage at 6720-C Rockledge Drive

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CORPORATE GOVERNANCE

Lockheed Martin believes good governance is integral to achieving long-term stockholder value. We are committed to governance policies and practices that serve the interests of the Corporation and its stockholders. The Board monitors emerging issues in the governance community to ensure that it continues to meet its commitment to thoughtful and independent representation of stockholder interests.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines (Governance Guidelines) that describe the framework within which the Board and its committees oversee the governance of the Corporation. The current Governance Guidelines are available on the Corporation's website at <http://www.lockheedmartin.com/corporate-governance>, by clicking on Corporate Governance Guidelines. The Nominating and Corporate Governance Committee (Governance Committee) regularly assesses our governance practices in light of emerging trends and best practices and formally implements best governance practices that it believes enhance the operation and effectiveness of the Board.

Our Governance Guidelines cover a wide range of subjects, including: the role of the Board and director responsibilities; the role and responsibilities of the Lead Director; application of our Code of Ethics and Business Conduct (the Code of Conduct) to the Board; director nomination procedures and qualifications; director independence standards; policies for the review, approval, and ratification of related person transactions; director orientation and continuing education; procedures for annual performance evaluations of the Board and the committees; director stock ownership guidelines; and a clawback policy for executive incentive compensation.

The Governance Guidelines state the Board's expectation that any incumbent director who receives more votes AGAINST his or her election than FOR his or her election is required to offer his or her resignation to the Board. The Governance Guidelines also set forth the procedures to be followed by the Board in considering whether to accept or reject the resignation.

In 2013, we increased the stock ownership guidelines for directors from two times (2X) the total annual retainer to five times (5X) the annual cash retainer within five years of joining the Board. In addition, all directors, officers, and employees are prohibited from hedging or pledging transactions involving our stock either through corporate policy statements or the Governance Guidelines.

Board Role in Strategic Planning

The Board's primary role is to oversee management and represent the interests of stockholders. Directors are expected to attend Board meetings, the meetings of the committees on which they serve, and the Annual Meeting of Stockholders. The Board and the committees regularly schedule and hold executive sessions without any members of management present. Between meetings, directors interact with the Chairman, President and CEO, the Lead Director, and other members of management and are available to provide advice and counsel to management.

The Corporation's strategy is reviewed and implemented in a two-year cycle. The first year is devoted to a review and development of an overall strategy and the second year is devoted to refining and assessing the strategy. The cycle then begins again in the following year. The Board is involved in strategic planning for the Corporation throughout the year. In January, the Executive Vice President and Chief Financial Officer (CFO) reviews the long-range plan with the Board. In February, the Board convenes in an off-site strategic planning session during which management reviews the overall long-range strategy for the Corporation and near-term and long-term initiatives. The Strategic Affairs Committee (SA Committee) of the Board meets throughout the year to review progress of and challenges to the Corporation's strategy and to approve specific initiatives, including acquisitions and divestitures over a certain threshold.

Independent Lead Director

In accordance with our Bylaws and Governance Guidelines, the independent members of the Board annually elect one of the independent directors to serve as the Lead Director by the affirmative vote of a majority of the directors who have been determined to be independent for purposes of the New York Stock Exchange (NYSE) listing standards. The Board has

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Corporate Governance

structured the role of the Lead Director with sufficient authority to serve as a counter-balance to management. The responsibilities specified in our Bylaws for the Lead Director are to:

Preside as Chair at Board meetings while in executive sessions of the non-management members of the Board or executive sessions of the independent directors, or if the Chairman is ill, absent, incapacitated, or otherwise unable to carry out the duties of Chairman.

Determine the frequency and timing of executive sessions of non-management directors and report to the Chairman on all relevant matters arising from those sessions, and invite the Chairman to join executive sessions for further discussion as appropriate.

Consult with the Chairman and CEO and committee chairs regarding the topics for and schedules of the meetings of the Board and committees and approve the topics for and schedules of Board meetings.

Review and approve all Board and committee agendas and provide input to management on the scope and quality of and approve information sent to the Board.

Assist with recruitment of director candidates and, along with the Chairman, may extend an invitation to a potential director to join the Board.

Act as liaison between the Board and management and among the directors and the committees of the Board.

Serve as member of the Executive Committee of the Board.

Serve as ex-officio member of each committee if not otherwise a member of the committee.

Serve as the point of contact for stockholders and others to communicate with the Board.

Recommend to the Board and committees the retention of advisors and consultants who report directly to the Board.

Call a special meeting of the Board or of the independent directors at any time, at any place, and for any purpose.

Perform all other duties as may be assigned by the Board from time to time.

The committee Chairmen also review and discuss the agendas for the meetings in advance of distribution of the agendas and related Board or committee material.

Mr. McCorkindale was elected by the independent directors and has served as the Lead Director for five consecutive years. Subject to his re-election at the Annual Meeting, Mr. Archibald has been elected by the independent directors to succeed Mr. McCorkindale as Lead Director, effective at the conclusion of the Annual Meeting. Stockholders and other interested parties may communicate with the Lead Director by email at *Lead.Director@lmco.com*.

Positions of Chairman and Chief Executive Officer

The Board regularly reviews its leadership structure in light of the Corporation's then current needs, governance trends, internal assessments of Board effectiveness, and other factors. The Board reviews and considers whether the positions of Chairman and CEO should be combined or separated as part of an ongoing review of the effectiveness of the Corporation's governance structure.

The Board believes that it must be independent and must provide strong and effective oversight, but also believes that the independent Board members should have the flexibility to respond to changing circumstances and choose the model that best fits the then-current situation.

As a result, the roles of Chairman and CEO have been split from time to time to facilitate leadership transitions, while at other times the roles have been combined.

The Board believes that, at the present time, the Corporation is best served by allocating governance responsibilities between a combined Chairman and CEO and an independent Lead Director with robust responsibilities. This structure allows the Corporation to present a single face

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to our customers through the combined Chairman and CEO position while at the same time providing an active role and voice for the independent directors through the Lead Director. In making this determination, the independent members of the Board considered:

Trends in governance and in stockholder proposals for separating the roles;

The limited support for stockholder proposals requiring the separation of the roles at the Corporation's 2013 and 2012 annual meetings;

The role of the independent directors in the governance of the Corporation, including the scheduling of an executive session of the independent directors at every Board meeting, regular Board review and consideration of the CEO succession plan, the scope of the duties of the Lead Director, and the oversight of the CEO's compensation by the Management Development and Compensation Committee (Compensation Committee), a committee composed entirely of independent directors that is advised by an outside independent compensation consultant;

Ms. Hewson's strong performance as a leader since her election as CEO;

The fact that Ms. Hewson is the only representative of management on the Board; and

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Corporate Governance

The desirability of having consolidated leadership engagement with government customers as well as the leadership of the U.S. Department of Defense and other agencies of the U.S. Government.

The independent directors plan to continue to review the leadership structure on an ongoing basis to ensure that it continues to meet the Corporation's needs.

Board Performance Self-Assessment

The Board conducts a self-assessment of its performance and effectiveness as well as that of the committees on an annual basis. The purpose of the self-assessment is to track progress in certain areas targeted for improvement from year to year and to identify ways to enhance the Board's and committees' effectiveness. For 2014, each director completed a written questionnaire to provide feedback on the effectiveness of the Board and committees. The Chairman of the Board also conducted a private interview with each Board member designed to gather additional suggestions to improve the Board's effectiveness and solicit additional feedback on Board performance and operations. The collective ratings and comments are compiled, summarized, and presented to the Governance Committee and the full Board.

Board Succession Planning

Each year the Governance Committee recommends to the Board the slate of directors to propose as nominees for election by the stockholders at the Annual Meeting. The process for identifying and evaluating candidates to be nominated to the Board starts with an evaluation of a candidate by the Chairman of the Governance Committee followed by the entire Governance Committee and the Chairman of the Board. Director candidates also may be identified by stockholders and will be evaluated and considered by the Governance Committee. The Governance Committee has retained a third party firm to assist in the identification and evaluation of potential director candidates.

The Board seeks a diverse group of candidates who, at a minimum, possess the background, skills, expertise, and time to make a significant contribution to the Board, the Corporation, and its stockholders. The Governance Guidelines list criteria against which candidates may be judged. The Governance Committee considers, among other things:

Input from the Board's self-assessment process to prioritize areas of expertise that were identified;

Investor feedback and perceptions;

The candidates' skills and competencies to ensure they are aligned to the Corporation's future strategic challenges and opportunities; and

The future needs of the Board in light of anticipated director retirements.

Our Tenure Guidelines

Mandatory Retirement	Directors must retire at age 75.
Change in Principal Employment	Directors must offer to resign upon any substantial change in principal employment.
Overboarding Policy	Directors may not serve on more than four other public company boards (two if an active CEO).
Failed Election	Directors must offer to resign as a result of a failed stockholder vote.

In February of each year, the Governance Committee reviews the membership, tenure, and leadership of each of the committees and considers possible changes given the additional qualifications and skill sets of newer members on the Board. The Governance Committee also takes into consideration the membership requirements and responsibilities set forth in each of the respective committee charters and Governance Guidelines as well as any upcoming vacancies on the Board due to our mandatory retirement age. The Governance Committee recommends to the Board any proposed changes to committee assignments and leadership to be made effective at the next annual meeting of stockholders. Subject to their election at the Annual Meeting, committee leadership and memberships have been re-assigned effective immediately following the 2015 Annual Meeting.

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Stockholder proposals for nominations to the Board should be submitted to the Nominating and Corporate Governance Committee, c/o the Senior Vice President, General Counsel and Corporate Secretary, at Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, MD 20817. To be considered by the Board for nomination at the 2016 Annual Meeting, written notice of nominations by a stockholder must be received between the dates of October 15, 2015 and November 14, 2015, inclusive.

The information requirements for any stockholder proposal or nomination can be found in Section 1.10 of our Bylaws available on the Corporation's website at <http://www.lockheedmartin.com/corporate-governance>.

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Corporate Governance

Service on Other Boards

The Board recognizes that its members benefit from service on the boards of other companies and it encourages such service. The Board also believes, however, that it is critical that directors dedicate sufficient time to their service on the Corporation's Board. Therefore, the Governance Guidelines provide that, without obtaining the approval of the Governance Committee:

A director may not serve on the boards of more than four other public companies;

If the director is an active chief executive officer or equivalent of another public company, the director may not serve on the boards of more than two other public companies;

No member of the Audit Committee may serve on more than two other public company audit committees; and

No member of the Compensation Committee may serve on more than three other public company compensation committees. This policy was added in 2013 in acknowledgement of the increased workload of the Compensation Committee.

Directors must notify the CEO, Lead Director, and Senior Vice President, General Counsel and Corporate Secretary before accepting an invitation to serve on the board of any other public company.

Director Orientation and Continuing Education

Upon joining the Board, directors are provided with an orientation about the Corporation, including our business operations, strategy, and governance. Directors may attend outside director continuing education programs sponsored by educational and other institutions to assist them in staying abreast of developments in corporate governance and critical issues relating to the operation of public company boards. Members of our senior management regularly review with the Board the operating plan of each of our Business Segments and the Corporation as a whole. The Board also conducts periodic visits to our facilities as part of its regularly scheduled Board meetings.

Majority Voting Policy for Uncontested Director Elections

The Corporation's Charter and Bylaws provide for simple majority voting. Pursuant to the Governance Guidelines, in any uncontested election of directors, any incumbent director who receives more votes AGAINST than votes FOR is required to offer his or her resignation for Board consideration.

Upon receipt of a resignation of a director tendered as a result of a failed stockholder vote, the Governance Committee will make a recommendation to the Board as to whether to accept or reject the resignation, or whether other action is recommended. In considering the tendered resignation, the Board will consider the Governance Committee's recommendation as well as any other factors it deems relevant, which may include:

The qualifications of the director whose resignation has been tendered;

The director's past and expected future contributions to the Corporation;

The overall composition of the Board and its committees;

Whether accepting the tendered resignation would cause the Corporation to fail to meet any applicable rule or regulation (including NYSE listing standards and the federal securities laws); and

The percentage of outstanding shares represented by the votes cast at the Annual Meeting.

Any director whose resignation has been tendered may not participate in the deliberations of the Governance Committee or in the Board's consideration of the Governance Committee's recommendation with respect to such director. In the event that a majority of the members of the

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Governance Committee have offered to resign as a result of their failure to receive the required vote for election by the stockholders, then the independent members of the Governance Committee who have not offered to resign, without further action by the Board, will constitute a committee of the Board for the purpose of considering the offered resignations, and will recommend to the Board whether to accept or reject those offers and, if appropriate, make a recommendation to take other actions. If there are no such independent directors, then all of the independent directors, excluding the director whose offer to resign is being considered, without further action of the Board, will constitute a committee of the Board to consider each offer to resign, make a recommendation to the Board to accept or reject that offer, and, if appropriate, make a recommendation to take other actions.

The Board will act on a tendered resignation within 90 days following certification of the stockholder vote for the annual meeting and will promptly disclose its decision and rationale as to whether to accept the resignation (or the reasons for rejecting the resignation, if applicable) in a press release, in a filing with the Securities and Exchange Commission (SEC), or by other public announcement, including a posting on the Corporation's website.

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Corporate Governance

If a director's resignation is accepted by the Board, or if a nominee for director who is not an incumbent director is not elected, the Board may fill the resulting vacancy or may decrease the size of the Board pursuant to the Corporation's Bylaws. The Board may not fill any vacancy so created with a director who was nominated but not elected at the annual meeting by the vote required under the Corporation's Bylaws.

Management Succession Planning

Management has established semi-annual talent reviews that coincide with our business operating reviews, as well as quarterly reviews within each of our operating businesses. During these reviews, the executive leadership team discusses succession plans for key positions and identifies top talent for development in future leadership roles.

The Board also is actively engaged in talent management. Annually, the Board evaluates our succession strategy and leadership pipeline for key roles. High potential leaders are given exposure and visibility to Board members through formal presentations and informal events. More broadly, the Board is regularly updated on key talent indicators for the overall workforce, including diversity, recruiting, and development programs. Board members also are active partners, engaging and spending time with our high potential leaders throughout the year at Board meetings and other events.

Enterprise Risk Management

Enterprise Risk Management is monitored by the Board, the Audit Committee and the SA Committee. Management reviews enterprise risk through the Risk and Compliance Committee (RCC) and the Integrated Risk Council.

The Audit Committee reviews our policies and practices with respect to risk assessment and risk management, including discussing with management the Corporation's major financial risk exposures and the steps that have been taken to monitor and control such exposures. The Audit Committee reports the results of its review to the Board.

Matters of risk management are brought to the attention of the Audit Committee by the Executive Vice President and CFO, who serves as the Corporation's Chief Risk Officer, or by the Vice President, Corporate Internal Audit, who regularly reviews and assesses internal processes and controls for ongoing compliance with internal policies and legal and regulatory requirements, as well as for potential deficiencies that could result in a failure of an internal control process. The SA Committee of the Board reviews and assesses mitigation plans in areas identified as the most significant risks.

The RCC, comprised of representatives of the direct reports to the President and CEO, is charged with overseeing the Corporation's Enterprise Risk Management program and with the integration and dissemination of risk information to management and throughout the Corporation. This Committee met eight times in 2014 and reports to the Integrated Risk Council made up of the Executive Vice President and CFO; Senior Vice President, General Counsel and Corporate Secretary; Senior Vice President, Communications; Vice President, Ethics and Sustainability; and Vice President, Corporate Internal Audit. At the request of the Audit Committee, the RCC has undertaken to regularly survey our businesses to identify risks, analyze the probability of occurrence and potential impact to our business of those risks, and assess mitigation efforts.

We employ a number of additional risk identification and mitigation strategies. A panel of executives reviews all major proposals to ensure the technical and pricing structures are consistent with our tolerance for risk. Corporate management conducts reviews of ongoing business performance and financial results and future opportunities through the long-range planning process, executive management meetings, and staff meetings.

Stockholder Right to Call Special Meeting

As part of the Board's continuous review of, and commitment to, best corporate governance practices and as a result of dialogue with stockholders, in recent years the Corporation has adopted a number of governance changes. The Board amended the Bylaws in 2010 to reduce the percentage of shares that an individual stockholder or a group of stockholders must own to cause the Corporate Secretary of the Corporation

to call a special meeting of stockholders. Any stockholder who individually owns 10 percent, or stockholders who in the aggregate own 25 percent, of the outstanding common stock may demand the calling of a special meeting to consider any business properly before the stockholders. Our Bylaws do not restrict the timing of a request for a special meeting. The only subject matter restriction is that we are not required to call a special meeting to consider a matter that is substantially the same as voted on at a special meeting within the preceding 12 months unless requested by a majority of all stockholders.

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Corporate Governance

The Board believes that our current governance practice strikes an appropriate balance between permitting stockholders to raise important matters at any time and ensuring that all stockholders are afforded an opportunity for meaningful participation in a deliberative and democratic process based on accurate and complete public disclosure. The 25 percent threshold is consistent with many of the companies in our comparator group. The Board added the 10 percent threshold in light of our institutional ownership profile.

No Poison Pill

The Corporation does not have a Stockholder Rights Plan, otherwise known as a Poison Pill. Through our Governance Guidelines, the Board has communicated that it has no intention of adopting one at this time. The Board has indicated that, if it were to adopt a Stockholder Rights Plan, the Board would seek stockholder ratification within 12 months of the date of adoption.

Director Independence

Eleven of our current directors are independent under applicable NYSE listing standards. Under the NYSE listing standards and our Governance Guidelines, a director is not independent if the director has a direct or indirect material relationship with the Corporation. The Governance Committee annually reviews the independence of all directors and reports its findings to the full Board. To assist in this review, the Board has adopted director independence guidelines that are included in our Governance Guidelines, which are available on our Corporation's website at <http://www.lockheedmartin.com/corporate-governance>.

Our director independence guidelines set forth certain relationships between the Corporation and directors and their immediate family members, or affiliated entities, that the Board, in its judgment, has deemed to be material or immaterial for purposes of assessing a director's independence. In the event a director has a relationship with the Corporation that is not addressed in the independence guidelines, the independent members of the Board determine whether the relationship is material.

The Board has determined that the following directors are independent: Daniel F. Akerson, Nolan D. Archibald, Rosalind G. Brewer, David B. Burritt, James O. Ellis, Jr., Thomas J. Falk, Gwendolyn S. King, James M. Loy, Douglas H. McCorkindale, Joseph W. Ralston, and Anne Stevens. Marillyn A. Hewson is an employee of the Corporation and is not independent under the NYSE listing standards or our Governance Guidelines. In determining that each of the non-management directors is independent, the Board considered the relationships described under Certain Relationships and Related Person Transactions of Directors, Executive Officers, and 5 Percent Stockholders, on page 15, which it determined were immaterial to the individual's independence.

The Governance Committee and Board considered that the Corporation in the ordinary course of business purchases products and services from, or sells products and services to, companies or subsidiaries or parents of companies at which some of our directors (or their immediate family members) are or have been directors or officers and to other institutions with which some of these individuals have or have had relationships. These relationships included: Mr. Akerson (The Carlyle Group, Northrop Grumman Corporation, and PricewaterhouseCoopers); Mr. Archibald (Brunswick Corporation); Mrs. Brewer (Walmart Stores, Inc. which includes Sam's Club); Mr. Ellis (Level 3 Communications, Inc., Dominion Resources, Inc., Draper Laboratory, The Georgia Institute of Technology, Inmarsat plc, and Stanford University, Hoover Institution); Mr. Falk (Catalyst, Inc.); Mrs. King (ESPN); Mr. Ralston (The Timken Company and URS Corporation); and Ms. Stevens (XL Group plc). In determining that these relationships did not affect the independence of those directors, the Board considered that none of the directors had any direct or indirect material interest in, or received any special compensation in connection with, the Corporation's business relationships with those companies. In addition to their consideration of these ordinary course of business transactions, the Governance Committee and the Board relied upon the director independence guidelines included in our Governance Guidelines to conclude that contributions to a tax-exempt organization by the Corporation or its foundation did not create any direct or indirect material interest for the purpose of assessing director independence.

The Governance Committee also concluded that all members of each of the Audit Committee, the Compensation Committee, and the Governance Committee are independent within the meaning of our Governance Guidelines and NYSE listing standards, including the additional independence requirements applicable to members of the Audit Committee, Compensation Committee, and Governance Committee.

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Corporate Governance

Related Person Transaction Policy

The Board has approved a written policy and procedures for the review, approval, and ratification of transactions among the Corporation and its directors, executive officers, and their related interests. A copy of the policy is available on the Corporation's website at <http://www.lockheedmartin.com/corporate-governance>. Under the policy, all related person transactions (as defined in the policy) are to be reviewed by the Governance Committee. The Governance Committee may approve or ratify related person transactions at its discretion if deemed fair and reasonable to the Corporation. This may include situations where the Corporation provides products or services to related persons on an arm's length basis on terms comparable to those provided to unrelated third parties. Any director who participates in or is the subject of an existing or potential related person transaction may not participate in the decision-making process of the Governance Committee with respect to that transaction.

Under the policy, and consistent with applicable SEC regulations and NYSE listing standards, a related person transaction is any transaction in which the Corporation was, is, or will be a participant, where the amount involved exceeds \$120,000, and in which a related person had, has, or will have a direct or indirect material interest. A related person includes any director and director-nominee, or executive officer of the company, any person who is known to be the beneficial owner of more than five percent of any class of the company's voting securities, or an immediate family member of any person described above.

The policy requires each director and executive officer to complete an annual questionnaire to identify his or her related interests and persons, and to notify the Corporation of changes in that information. Based on that information, the Corporation maintains a master list of related persons for purposes of tracking and reporting related person transactions.

Because it may not be possible or practical to pre-approve all related person transactions, the policy contemplates that the Governance Committee may ratify transactions after they commence or pre-approve categories of transactions or relationships. If the Governance Committee declines to approve or ratify a transaction, the related person transaction is referred to management to make a recommendation to the Governance Committee concerning whether the transaction should be terminated or amended in a manner that is acceptable to the Governance Committee.

Certain Relationships and Related Person Transactions of Directors, Executive Officers, and 5 Percent Stockholders

The following transactions or relationships are considered to be related person transactions under our corporate policy and applicable SEC regulations and NYSE listing standards.

Two of our directors, Mr. Loy and Mr. Ralston, are employed as Senior Counselor and Vice Chairman, respectively, of The Cohen Group, a consulting business that performs services for the Corporation. In 2014, we paid The Cohen Group \$762,817 for consulting services and related expenses. Neither Mr. Loy nor Mr. Ralston's compensation earned at The Cohen Group is impacted by the consulting services delivered to the Corporation. The Board annually assesses and reviews the Corporation's relationship with The Cohen Group and has determined that the breadth of military experience coupled with their top security clearances bring a unique value to the Board, particularly with the oversight of our classified programs. Neither Mr. Loy nor Mr. Ralston serves on our Audit, Compensation, or Governance Committees.

We currently employ approximately 112,000 employees and have an active recruitment program for soliciting job applications from qualified candidates. We seek to hire the most qualified candidates and consequently do not preclude the employment of family members of current directors and executive officers. A related person transaction (and compensation) involved a Board member (Joseph Ralston) brother-in-law, Mark E. Dougherty, who is employed as a Capture Management Principal. Mr. Dougherty's 2014 base salary was \$169,250, and he received an employee incentive plan award of \$16,900. His base salary was increased to \$174,253 for 2015. Mr. Dougherty may participate in other employee benefit plans and arrangements that generally are made available to other employees at the same level (including health, welfare, vacation, and retirement plans). His compensation was established in accordance with the Corporation's employment and compensation practices applicable to employees with equivalent qualifications, experience, and responsibilities. Mr. Dougherty did not serve as an executive officer of the Corporation during 2014.

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From time to time, the Corporation has purchased services in the ordinary course of business from financial institutions that beneficially own five percent or more of Lockheed Martin's common stock. In 2014, the Corporation paid \$4,798,501 to State Street Bank and Trust Company, an affiliate of State Street Corporation, for credit facility and benefit plan administration fees; \$582,497 to BlackRock, Inc. and its affiliates for investment management of fixed-income assets held in the Corporation's master savings trust; and \$6,964,647 to Capital Guardian, an affiliate of Capital World Investors, for investment management fees.

Table of Contents**ETHICS AND SUSTAINABILITY****Governance Structure**

The Ethics and Sustainability Committee (the ES Committee) of the Board of Directors oversees efforts in corporate responsibility, human rights, environmental stewardship, political contributions, employee health and safety, ethical business practices, community outreach, philanthropy, diversity and inclusion and equal opportunity, as well as the Corporation's record of compliance with related laws and regulations.

Independent Reporting

The **Vice President**, Ethics and Sustainability, has a dual reporting relationship, both to the Chairman, President and CEO and also independently to the Board of Directors.

Executive Leadership Team

The **Chairman, President and CEO**, with her executive leadership team, review the operations of the Ethics and Sustainability programs at least twice annually.

Ethics and Sustainability Committee

4 Independent Directors comprise this Board committee, which provides oversight for the Ethics and Sustainability programs, approves the Code of Conduct and reviews trends, risk areas and new initiatives.

Business Segment Steering Committees

The **Executive Vice President** of each Business Segment, as well as of Lockheed Martin International, chairs a steering committee that regularly reviews the ethics program within that Business Segment.

Ethics

Ethical business practice is the foundation of Lockheed Martin's operations. Our values – Do What's Right, Respect Others, and Perform with Excellence – underpin our business decisions and our interactions with all stakeholders. In 2014, we introduced a digital, interactive, mobile Code of Conduct, which was the first electronic version among our industry peers. All of our employees and directors received the redesigned, updated code during 2014.

Lockheed Martin's Code of Conduct has been in place since the Corporation was formed in 1995. The Code of Conduct (which is available on the Corporation's website at <http://www.lockheedmartin.com/us/who-we-are/ethics/code.html>) applies to all Board members, officers, and employees and provides our policies and expectations on a number of topics, including our commitment to good citizenship, promoting a positive and safe work environment, providing transparency in our public disclosures, zero tolerance for corruption, avoiding conflicts of interest, honoring the confidentiality of sensitive information, preservation and use of company assets, compliance with all laws, preventing retaliation, and operating with integrity in all that we do. To implement this Code of Conduct, Board members, officers, and employees participate annually in ethics training. There were no waivers from any provisions of our Code of Conduct or amendments applicable to any Board member or executive officer in 2014.

Corporate Sustainability

Our sustainability mission is to foster innovation, integrity and security to protect the environment, strengthen communities, and propel responsible growth. In 2014, we published our third annual sustainability report, which discloses performance indicators on our environmental, social, and governance responsibilities, and conforms to the Global Reporting Initiative (GRI) G4 Core Guidelines. A copy of the report is available at <http://www.lockheedmartin.com/sustainability>. Lockheed Martin is prioritizing six high impact sustainability issues, based on a multi-step process to determine what affects our ability to generate long-term stockholder value through environmental, governance, social, and economic progress. We implemented and reported on our 2014 Sustainability Management Plan progress, which includes 41 measures to gauge performance through 2015 on objectives across the six high impact sustainability issues. This set of issues is intended to help us to identify better business opportunities, strengthen enterprise risk management mechanisms, enhance our reputation and stakeholder confidence, drive energy and resource

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Ethics and Sustainability

efficiency, and maximize our investments of financial, human, and natural capital. We report on our performance twice a year to our executive leadership team.

In 2014, Lockheed Martin accomplished the following:

Sustainability Management Plan. Reported our full year progress on our Sustainability Management Plan, which we use to manage, measure, and disclose performance against the six high impact sustainability issues listed above.

Innovative Leadership in Ethics. Introduced remote and small site customer learning materials and combined anti-retaliation program monitoring, training and education to prevent and detect retaliation, thereby encouraging reporting of ethical concerns or violations.

Supplier and Community Engagement

In 2014, Lockheed Martin partnered with suppliers, the community, and non-governmental organizations to strengthen our communities and propel responsible growth including:

Achieved approximately \$4.9 billion in total spending with nearly 10,600 small businesses, including businesses owned by women, veterans and service-disabled veterans, small, disadvantaged businesses, and businesses located in historically under-utilized business zones. Small businesses represent approximately 65 percent of our entire supplier base.

Provided training to 15 current, past or potential protégé small businesses under various government agency Mentor-Protégé programs.

Hired approximately 2,350 military veterans, representing approximately 34 percent of all external hires.

Encouraged participation in the Electronic Industry Citizenship Coalition and the Global e Sustainability Initiative (EICC-GeSI) Conflict Free Sourcing Initiative.

Issued a letter and training package to approximately 13,600 impacted suppliers regarding counterfeit parts.

Contributed more than \$24.5 million to nearly a thousand organizations, with a strategic focus on advancing science, technology, engineering, and math (STEM) education and supporting military and veteran causes. Separately, our employees donated more than \$19.3 million and reported volunteering more than one million hours to worthy causes. Over the last decade, employees have reported volunteering more than 11.5 million hours of their own time in service to their communities.

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Table of Contents**COMMITTEES OF THE BOARD OF DIRECTORS**

The Board has seven standing committees. The following table lists our Board committees, the chairs of each committee, the directors who served in 2014 on them, and the number of committee meetings held in 2014. Charters for each committee are available on the Corporation's website at <http://www.lockheedmartin.com/corporate-governance>.

2014 Membership on Board Committees

Director	Age	Director Since	Independent	Audit	Classified Business and Security	Ethics and Sustainability	Executive	Management Development and Compensation	Nominating and Corporate Governance	Strategic Affairs
Daniel F. Akerson	66	2014	Yes	X				X		
Nolan D. Archibald	71	2002	Yes				X		X	Chair
Rosalind G. Brewer	52	2011	Yes			X		X		
David B. Burritt	59	2008	Yes	Chair			X	X		X
James O. Ellis, Jr.	67	2004	Yes		Chair		X		X	X
Thomas J. Falk	56	2010	Yes	X					X	
Marillyn A. Hewson	61	2012	No				Chair			
Gwendolyn S. King	74	1995	Yes			Chair	X		X	
James M. Loy	72	2005	Yes		X	X				X
Douglas H. McCorkindale*	75	2001	Yes	X	X		X	X	Chair	
Joseph W. Ralston	71	2003	Yes		X	X				X
Anne Stevens	66	2002	Yes	X			X	Chair		
Meetings held in 2014				7	2	3	0	4	4	5

* Lead Director until 2015 Annual Meeting.

Audit Committee

The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities relating to the financial condition of the Corporation, the integrity of the Corporation's financial statements, and the Corporation's compliance with legal and regulatory requirements. In addition, the Audit Committee has oversight of the Corporation's internal audit organization including enterprise risk management processes. It is directly responsible for the qualifications, independence and performance of the Corporation's independent auditors. The Audit Committee also is responsible for reviewing the allocation of resources, the Corporation's financial condition and capital structure, and policies regarding derivatives and capital expenditures. The functions of the Audit Committee are further described under the heading "Audit Committee Report" on page 20.

All the members of the Audit Committee are independent within the meaning of the NYSE listing standards, applicable SEC regulations, and our Governance Guidelines. In order to be considered independent under applicable SEC regulations, a member of the Audit Committee cannot accept any consulting, advisory, or other compensatory fee from the Corporation, or be an affiliated person of the Corporation or its subsidiaries.

The Board has determined that Mr. Burritt, Chairman of the Audit Committee, Mr. Akerson, Mr. Falk, and Mr. McCorkindale are qualified audit committee financial experts within the meaning of applicable SEC regulations. All members of the Audit Committee have accounting and related financial management expertise sufficient to be considered financially literate within the meaning of the NYSE listing standards.

Subject to his re-election and following the Annual Meeting, Mr. Falk will be Chairman of the Audit Committee.

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Committees of the Board of Directors

Classified Business and Security Committee

The Classified Business and Security Committee (the CBS Committee) assists the Board in fulfilling its oversight responsibilities relating to the Corporation's classified business activities and the security of personnel, data, and facilities. The CBS Committee consists of three or more directors who meet the independence requirements of the NYSE listing standards and who possess the appropriate security clearance credentials, at least one of whom must be a member of the Audit Committee, and none of whom are officers or employees of the Corporation and are free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a member of the CBS Committee. All members hold high-level security clearances.

Subject to his re-election and following the Annual Meeting, Mr. Ralston will be Chairman of the CBS Committee.

Ethics and Sustainability Committee

The purpose of the ES Committee is to assist the Board in fulfilling its oversight responsibilities relating to the Corporation's ethical conduct, sustainability, environmental stewardship, and employee health and safety. The ES Committee monitors compliance and recommends changes to our Code of Conduct. It reviews our policies, procedures, and compliance with respect to sustainability, including corporate responsibility, human rights, environmental stewardship, employee health and safety, ethical business practices, community outreach, philanthropy, diversity, inclusion, and equal opportunity. It oversees matters pertaining to community and public relations, including government relations, political contributions and expenditures, and charitable contributions.

Subject to his re-election and following the Annual Meeting, Mr. Loy will be Chairman of the ES Committee.

Executive Committee

The Executive Committee serves primarily as a means for taking action requiring Board approval between regularly scheduled meetings of the Board. The Executive Committee is authorized to act for the full Board on all matters other than those specifically reserved by Maryland law to the full Board. The Chairman of the Board chairs the Executive Committee.

Management Development and Compensation Committee

The Compensation Committee reviews and approves the corporate goals and objectives relevant to the compensation of the CEO, evaluates the performance of the CEO, and, either as a committee or together with the other independent members of the Board, determines and approves the compensation philosophy and levels for the CEO and other members of senior management.

Additional information regarding the role of the Compensation Committee and our compensation practices and procedures is provided under the captions Compensation Committee Report on page 29, Compensation Discussion and Analysis (CD&A) beginning on page 30, and Other Corporate Governance Considerations in Compensation on page 48.

All members of the Compensation Committee are independent within the meaning of the NYSE listing standards, applicable SEC regulations, and our Governance Guidelines.

Subject to his re-election and following the Annual Meeting, Mr. Akerson will be Chairman of the Compensation Committee.

Nominating and Corporate Governance Committee

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The Governance Committee is responsible for developing and implementing policies and practices relating to corporate governance, including our Governance Guidelines. The Governance Committee assists the Board by selecting candidates to be nominated to the Board, making recommendations concerning the composition of Board committees, and by overseeing the evaluation of the Board and its committees.

The Governance Committee reviews and recommends to the Board the compensation of directors. Our executive officers generally do not play a role in determining director pay other than to gather publicly available information.

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Committees of the Board of Directors

All members of the Governance Committee are independent within the meaning of the NYSE listing standards, applicable SEC regulations, and our Governance Guidelines.

Subject to his re-election and following the Annual Meeting, Mr. Archibald will be Chairman of the Governance Committee.

Strategic Affairs Committee

The SA Committee reviews and recommends to the Board management's long-term strategy for the Corporation and reviews risks and opportunities to the strategy as identified by the Corporation's Enterprise Risk Management processes. The SA Committee reviews and recommends to the Board certain significant strategic decisions regarding exit from existing lines of business and entry into new lines of business, acquisitions, joint ventures, investments or dispositions of businesses and assets, and the financing of related transactions.

Subject to his re-election and following the Annual Meeting, Mr. Ellis will be Chairman of the SA Committee.

Audit Committee Report

We oversee Lockheed Martin's financial reporting process on behalf of the Board. Lockheed Martin's management is responsible for the financial reporting process and preparation of the quarterly and annual consolidated financial statements, including maintaining an effective system of internal control over financial reporting. In addition to our oversight of the Corporation's internal audit organization, we are directly responsible for the appointment, compensation, retention, oversight, and termination of the Corporation's independent auditors, Ernst & Young LLP, an independent registered public accounting firm. The independent auditors are responsible for auditing the annual consolidated financial statements and expressing an opinion on the conformity of those financial statements with U.S. generally accepted accounting principles, and for expressing an opinion on the effectiveness of internal control over financial reporting.

In connection with the December 31, 2014 audited consolidated financial statements, we have:

Reviewed and discussed the Corporation's audited consolidated financial statements with management, including discussions regarding critical accounting policies, financial accounting and reporting principles and practices, the quality of such principles and practices, the reasonableness of significant judgments and estimates, and the effectiveness of internal control over financial reporting.

Discussed with the independent auditors the quality of the financial statements, the clarity of the related disclosures, the effectiveness of internal control over financial reporting, and other items required to be discussed under Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 16, *Communications with Audit Committees*.

Received from the independent auditors written disclosures regarding the auditors' independence required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, and discussed with the independent auditors any matters affecting their independence.

Based on the reviews and discussions above, we recommended to the Board that the audited consolidated financial statements for 2014 be included in Lockheed Martin's Annual Report on Form 10-K for the year ended December 31, 2014 for filing with the SEC. The Board approved our recommendation.

Submitted on February 9, 2015 by the Audit Committee:

David B. Burritt, *Chairman*
Daniel F. Akerson
Thomas J. Falk

Douglas H. McCorkindale
Anne Stevens

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PROPOSAL 1: ELECTION OF DIRECTORS

There are 11 director-nominees for election to the Board at the Annual Meeting. Each director-nominee currently serves as a director. Each director-nominee was recommended for nomination by the Governance Committee. The Governance Committee has determined that all the director-nominees, except for Marilyn A. Hewson, Chairman, President and CEO, are independent under the listing standards of the NYSE and our Governance Guidelines. The Board ratified the slate of director-nominees and recommends that our stockholders vote for the election of all the individuals nominated by the Board.

The Board has fixed the number of directors to 11 at the present time. The Governance Committee and the Board will continue to review and assess additional candidates for the Board; any candidates identified after the 2015 Annual Meeting will be considered by the Board as candidates to serve until the 2016 Annual Meeting.

The director-nominees are expected to attend the 2015 Annual Meeting. All director-nominees who are elected will serve a one-year term that will end at the 2016 Annual Meeting. If any of the director-nominees are unable or unwilling to stand for election at the 2015 Annual Meeting (an event which is not anticipated), the Board may reduce its size or designate a substitute. If a substitute is designated, proxy holders may vote for the substitute nominee or refrain from voting for any other director-nominee at their discretion. Directors' ages are reported as of the 2015 Annual Meeting.

In 2014, the Board met a total of nine times. All directors attended more than 75 percent of the total Board and committee meetings to which they were assigned. All incumbent directors attended the 2014 Annual Meeting, except for Ms. Stevens (who was out of the country).

Board Composition, Qualifications, and Diversity

We have no agreements obligating the Corporation to nominate a particular candidate as a director, and none of our directors represents a special interest or a particular stockholder or group of stockholders.

We believe that our business accomplishments are a result of the efforts of our employees around the world, and that a diverse employee population will result in a better understanding of our customers' needs. Our success with a diverse workforce also informs our views about the value of a board of directors that has persons of diverse skills, experiences, and backgrounds. To this end, the Board seeks to identify candidates with areas of knowledge or experience that will expand or complement the Board's existing expertise in overseeing a technologically advanced global security and aerospace company.

Consistent with the Governance Guidelines, the Board desires a diverse group of candidates who possess the background, skills, expertise, and time to make a significant contribution to the Board, the Corporation, and its stockholders. The Governance Committee makes recommendations to the Board concerning the composition of the Board and its committees, including size and qualifications for membership. The Governance Committee evaluates prospective nominees against the standards and qualifications set forth in the Corporation's Governance Guidelines, as well as other relevant factors it deems appropriate.

Listed below are the skills and experience that we have considered important for our directors to have in light of our current business and structure. The directors' biographies that follow note each director's relevant experience, skills, and qualifications relative to this list.

Financial Expertise. Knowledge of financial markets, financing and funding operations, and accounting and financial reporting processes are important because it assists our directors in understanding, advising, and overseeing the Corporation's capital structure, financing and investment activities, financial reporting, and internal control of such activities.

Public Company Board Experience. Directors who have served on other public company boards can offer advice and insights with regard to the dynamics and operation of a board of directors, the relationship between a board and the CEO and other management personnel, the importance of particular agenda items, and oversight of a changing mix of strategic, operational, and compliance matters.

Government and Military Expertise. Directors who have served in government or in senior military positions provide experience and insight into working constructively with our core customers and governments around the world and addressing significant public policy issues, particularly in areas related to the Corporation's business and operations. Directors with military, homeland security, or intelligence experience

and security clearance credentials have unique skills to serve on our CBS Committee.

Global Expertise. Because we are a global organization with increasing revenue coming from sales outside the United States, directors with global expertise can provide useful business and cultural perspectives regarding many significant aspects of our business.

Senior Leadership Experience. Directors who have served in senior leadership positions bring experience and perspective in analyzing, shaping, and overseeing the execution of important operational and policy issues at a senior level. These directors' insights and guidance, and their ability to assess and respond to situations encountered in serving on our Board, may be enhanced if their leadership experience was developed at businesses or organizations that operated on a global scale or involved technology or other rapidly evolving business models.

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Proposal 1: Election of Directors

Interpersonal Skills and Diversity. Directors with different backgrounds and skills help build diversity on the Board and maximize group dynamics in terms of function, thought, gender, race and age. Under our Bylaws, unless exempted by the Board, an individual is not eligible to stand for election at an Annual Meeting following the individual's 75th birthday.

The Board unanimously recommends a vote FOR each of the following director-nominees.

Director-Nominees

Daniel F. Akerson

Age: 66

Director since: 2014
Independent

Committees:

Audit

Management Development and Compensation

Skills and Qualifications

Core leadership skills and experience with the demands and challenges of the global marketplace.

Extensive operating, financial and senior management experience in a succession of major companies in challenging, highly competitive industries.

Financial, investment, and mergers and acquisitions expertise.

The Board has determined that Mr. Akerson meets the SEC's criteria of an audit committee financial expert.

Vice Chairman and Special Advisor to the Board of The Carlyle Group since March 2014. Previously, Mr. Akerson was Chairman of the Board of Directors and Chief Executive Officer of General Motors Company from January 2011 until his retirement in January 2014. Mr. Akerson was elected to the Board of Directors of General Motors Company in 2009 and was Chief Executive Officer from September 2010 to December 2010. Prior to joining General Motors Company, he was a Managing Director of The Carlyle Group, serving as the Head of Global Buyout from July 2009 to August 2010 and as Co-Head of U.S. Buyout from June 2003 to June 2009. Mr. Akerson formerly served as a director of American Express Company from April 1995 to April 2012 and currently serves as a director of the United States Naval Academy Foundation.

Nolan D. Archibald

Age: 71

Director since: 2002
Independent

Committees:

Strategic Affairs

Executive

Nominating and Corporate Governance

Skills and Qualifications

Experience with the demands and challenges of the global marketplace with a focus on innovation from his prior positions as Executive Chairman of Stanley Black & Decker, Inc. and Chairman, President, Chief Executive Officer and Chief Operating Officer of The Black & Decker Corporation, companies that sold products in more than 100 countries.

Experience in talent management, business management, strategic planning, and international business operations.

Corporate governance expertise from service as director of large public companies.

Executive Chairman of the Board of Stanley Black & Decker, Inc. from March 2010 until his retirement in April 2013. Previously, Mr. Archibald was Chairman of the Board and Chief Executive Officer of The Black & Decker Corporation from 1986 to March 2010; President of The Black & Decker Corporation from 1985 to 2010; and Chief Operating Officer of The Black & Decker Corporation from 1985 to 1986. Mr. Archibald currently serves as a director of Brunswick Corporation and Huntsman Corporation.

Table of Contents**Proposal 1: Election of Directors****Rosalind G. Brewer****Age:** 52**Director since:** 2011**Independent****Committees:**

Ethics and Sustainability

Management Development and
Compensation**Skills and Qualifications**

Experience in large-scale operations based on her positions as President and Chief Executive Officer of Sam's Club, Executive Vice President for Walmart Stores, Inc., and more than two decades of experience as an executive with Kimberly-Clark Corporation.

Experience in product development, product management, manufacturing, large-scale operations, supply chain logistics, and leading change management initiatives.

Leadership and executive expertise in international consumer business operations.

President and Chief Executive Officer of Sam's Club, a division of Walmart Stores, Inc., since February 2012. Previously, Mrs. Brewer was Executive Vice President and President of Walmart Stores, Inc.'s East Business Unit from February 2011 to January 2012; Executive Vice President and President of Walmart South from February 2010 to February 2011; Senior Vice President and Division President of Southeast Operating Division from March 2007 to January 2010; and Regional General Manager, Georgia Operations, from 2006 to February 2007. Previously, Mrs. Brewer was President of Global Nonwovens Division for Kimberly-Clark Corporation from 2004 to 2006 and held various management positions of increasing responsibility at Kimberly-Clark Corporation from 1984 to 2006. Mrs. Brewer formerly served as a director of Molson Coors Brewing Company from 2006 to 2011 and currently serves on the Board of Trustees of Spelman College.

David B. Burritt**Age:** 59**Director since:** 2008**Independent****Committees:**

Audit

Executive

Management Development and
Compensation

Strategic Affairs

Skills and Qualifications

Expertise in public company accounting, risk management, disclosure, financial system management, and business transformation from roles as CFO at United States Steel Corporation and CFO and Controller at Caterpillar Inc.

Over 35 years' experience with the demands and challenges of the global marketplace from his positions at United States Steel Corporation and Caterpillar Inc., a company that manufactures equipment in 20 countries and sells products in more than 180 countries.

The Board has determined that Mr. Burritt meets the SEC's criteria of an audit committee financial expert.

Executive Vice President and Chief Financial Officer of United States Steel Corporation since September 2013. Previously, Mr. Burritt was Vice President and Chief Financial Officer of Caterpillar Inc. from 2004 to June 2010; Corporate Controller and Chief Accounting Officer of Caterpillar Inc. from 2002 to 2004; held various positions of increasing responsibility at Caterpillar Inc. in finance, tax, accounting, and international operations from 1978 to 2002. Mr. Burritt formerly served as a director of Aperam from December 2010 to May 2013 and Global Brass & Copper Holdings, Inc. from 2011 until June 2014.

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Proposal 1: Election of Directors

James O. Ellis, Jr.

Age: 67

Director since: 2004

Independent

Committees:

- Classified Business and Security Executive
- Nominating and Corporate Governance
- Strategic Affairs

Skills and Qualifications

Industry-specific expertise and knowledge of our core customers from his service in senior leadership positions with the military.

Expertise in aeronautical and aerospace engineering and emerging energy issues.

Over 40 years experience in managing and leading large and complex technology-focused organizations, in large part as a result of serving for 35 years as an active duty member of the United States Navy.

President and Chief Executive Officer of Institute of Nuclear Power Operations from May 2005 until his retirement in May 2012. Mr. Ellis retired from active duty in July 2004 after serving as Admiral and Commander, United States Strategic Command, Offutt Air Force Base, Nebraska from October 2002 to July 2004; Commander in Chief, United States Strategic Command from November 2001 to September 2002; Commander in Chief, United States Naval Forces, Europe and Commander in Chief, Allied Forces from October 1998 to September 2000; Deputy Chief of Naval Operations (Plans, Policy and Operations) from November 1996 to September 1998. He formerly served as a director of Inmarsat plc. from June 2005 to March 2014 and currently serves as a director of Level 3 Communications, Inc., Dominion Resources, Inc., and Draper Laboratory. In February 2013, Mr. Ellis was elected to the National Academy of Engineering. He currently serves as an Annenberg Distinguished Visiting Fellow of the Hoover Institution at Stanford University.

Thomas J. Falk

Age: 56

Director since: 2010

Independent

Committees:

- Audit
- Nominating and Corporate Governance

Skills and Qualifications

Experience with the demands and challenges associated with managing global organizations from his experience as Chairman and Chief Executive Officer of Kimberly-Clark Corporation.

Knowledge of financial system management, public company accounting, disclosure requirements, and financial markets.

Marketing, talent management, compensation, governance, and public company board experience.

The Board has determined that Mr. Falk meets the SEC's criteria of an audit committee financial expert.

Chairman of the Board and Chief Executive Officer of Kimberly-Clark Corporation since 2003; Chief Executive Officer from 2002 and President and Chief Operating Officer from 1999 to 2002; held various senior management positions since joining Kimberly-Clark Corporation in 1983. Mr. Falk currently serves as a director of the nonprofit organizations, Catalyst, Inc., the University of Wisconsin Foundation, and The Consumer Goods Forum, and serves as a governor of the Boys & Girls Clubs of America.

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Proposal 1: Election of Directors

Marilyn A. Hewson

Age: 61

Director since: 2012

Non-Independent

Committees:

Executive

Skills and Qualifications

Broad insight and knowledge into the complexities of global business management, strategic planning, finance, supply chain, and leveraged services based on more than two decades of experience in executive and operational roles with the Corporation and in our industry.

Expertise in government relations, government contracting, manufacturing, marketing, and human resources.

Corporate governance and audit expertise derived from service on boards of other multinational corporations and nonprofit organizations.

Chairman, President and Chief Executive Officer of Lockheed Martin since January 2014. Having served 32 years at Lockheed Martin in roles of increasing responsibility, she held the positions of Chief Executive Officer and President from January 2013 to December 2013; President and Chief Operating Officer from November 2012 to December 2012; Executive Vice President – Electronic Systems from January 2010 to November 2012; President, Systems Integration – Owego from September 2008 to December 2009; and Executive Vice President – Global Sustainment for Aeronautics from February 2007 to August 2008. She previously served as Chairman of the Board of Directors of Sandia Corporation from 2010 to July 2013. Ms. Hewson currently serves on the Board of Directors of E. I. du Pont de Nemours and Company (DuPont); the University of Alabama’s Culverhouse College of Commerce and Business Administration Board of Visitors; the Board of Governors of the USO; the Board of Governors of the Aerospace Industries Association; the Board of Directors of the Congressional Medal of Honor Foundation; the Board of the National Geographic Education Foundation; the Board of Directors of Catalyst, Inc.; and the International Advisory Board of the Atlantic Council. In September 2013, Ms. Hewson was appointed by President Barack Obama to the President’s Export Council, the principal national advisory committee on international trade.

Gwendolyn S. K