

Corporate Governance Guidelines



January 26, 2012

1. Role of the Board of Directors (“The Board”) and Director Responsibilities

The role of the Board is to oversee the management of the Corporation and to represent the interests of all the Corporation’s stockholders. The Board meets in regular session at least six times per year, and as otherwise required. Directors are expected to attend all Board meetings and meetings of committees on which they serve, and they are frequently called upon for advice and counsel between formal meetings. Directors review advance meeting materials that are provided to each director in advance of each meeting. Each director is encouraged and expected to ask questions of and raise issues with management to ensure the conduct of careful and cautious oversight.

2. Selection of Chairman

The Corporation’s Bylaws provide that the directors shall annually elect a Chairman from among the directors. The Corporation’s policy as to whether the role of the Chief Executive Officer and Chairman should be separate is to adopt the practice which best serves the Corporation’s needs at any particular time.

3. Lead Director

The Board, by the affirmative vote of a majority of the independent directors, designates one of the independent directors as the Lead Director. The Lead Director:

- is independent and elected by a majority of the independent directors annually and may be removed from the position by a majority of the independent directors;
- presides as Chairman at Board meetings while in executive sessions of the non-management members of the Board or executive sessions of the independent directors, or when the Chairman of the Board is ill, absent, incapacitated or otherwise unable to carry out the duties of Chairman of the Board;
- determines the frequency and timing of executive sessions of non-management directors and reports to the Chairman and Chief Executive Officer on all relevant matters arising from those sessions, and invites the Chairman and Chief Executive Officer to join the executive session for further discussion as appropriate;
- consults with the Chairman and Chief Executive Officer and committee chairs regarding the topics and schedules of the meetings of the Board and committees;
- reviews and approves all Board and committee agendas and provides input to management on the scope and quality of information sent to the Board;
- assists with recruitment of director candidates and, along with the Chairman of the Board, may extend the invitation to a new potential director to join the Board;
- acts as liaison between the Board and management and among the directors and the committees of the Board;
- serves as a member of the Executive Committee of the Board;
- serves as ex-officio member of each committee if not otherwise a member of the committee;
- serves as the point of contact for stockholders and others to communicate with the Board;
- recommends to the Board and committees the retention of advisors and consultants who report directly to the Board;
- may call a special meeting of the Board of Directors at any time, at any place, and for any purpose; and
- performs all other duties as may be assigned by the Board from time to time.

4. Size of Board

The Board has determined that a board size of ten to fourteen is currently optimum.

5. *Director Independence*

A majority of the Board must consist of independent directors within the meaning of the New York Stock Exchange (“NYSE”) listing standards. The Board believes that a substantial majority of the Board should be independent and takes this belief into consideration in evaluating potential nominees for election as a director.

6. *Board Definition of What Constitutes Independence for Directors*

Pursuant to NYSE listing standards, no director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with the Corporation other than as a director (either directly or as a partner, significant stockholder or executive officer of an organization that has a relationship with the Corporation). The Board will make determinations concerning a director’s independence based on a broad consideration of all relevant facts and circumstances. A director is not independent if:

- (i) the director is, or has been within the last three years, an employee of the Corporation, or an immediate family member is, or has been within the last three years, an executive officer of the Corporation;
- (ii) the director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Corporation, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- (iii) (A) the director is a current partner of a firm that is the Corporation’s internal or external auditor; (B) the director is a current employee of such a firm; (C) the director has an immediate family member who is a current partner of such a firm; (D) the director has an immediate family member who is a current employee of such a firm and personally works on the Corporation’s audit; or (E) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Corporation’s audit within that time;
- (iv) the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another corporation where any of the Corporation’s present executive officers at the same time serves or served on that corporation’s compensation committee; or
- (v) the director is a current employee, or an immediate family member is a current executive officer, of a corporation that has made payments to, or received payments from, the Corporation for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or two percent of such other corporation’s consolidated gross revenues (as reported in the last completed fiscal year of such other corporation).

Categorical Standards of Independence

The Board has established the following additional categorical standards of independence to assist it in making independence determinations:

Business Relationships. Any payments by the Corporation to a business employing a director, employing a director’s immediate family member as an executive officer, or which is 10 percent or more owned by a director or an immediate family member of a director, for goods or services, or other contractual arrangements, must be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons. The following relationships are not considered material relationships that would impair a director’s independence:

- serving as a director of another corporation that does business with the Corporation if the director receives no special compensation in respect of that business other than as a director of either entity;
- serving as an executive officer of another corporation that does business with the

Corporation if (a) the annual sales to the Corporation during such corporation's preceding fiscal year do not exceed the greater of \$1 million or two percent of the gross annual revenues of such corporation, or (b) the annual purchases from the Corporation do not exceed the greater of \$1 million or two percent of the gross annual revenues of the Corporation;

- ownership of less than a ten percent equity interest in another corporation or organization that does business with the Corporation (other than a general partnership interest);
- serving as a partner of or of counsel to a law firm if the director does not personally perform any legal services for the Corporation, and the annual fees paid to the firm by the Corporation during such firm's preceding fiscal year do not exceed the greater of \$1 million or two percent of the gross annual revenues of such firm; and
- serving on the board of another public corporation on which an executive officer also serves as a board member, except for prohibited compensation committee interlocks.

Relationships with Not-for-Profit Entities. Contributions to tax exempt organizations by the Corporation or its foundation shall not be considered "payments" for purposes of Section 6(v) of the independence definition above, provided however that the Corporation shall disclose in its annual proxy statement, or in the annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC"), any such contributions made by the Corporation to any tax exempt organization in which any independent director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year from the Corporation to the organization exceeded the greater of \$1 million, or two percent of such tax exempt organization's consolidated gross revenues.

In cases where a director has a relationship that is not described above or is otherwise not covered by the above examples, a majority of the Corporation's independent directors, after considering all of the relevant circumstances, may make a determination whether or not such relationship is material and whether the director may therefore be considered independent under the NYSE listing standards. In that event, the Corporation will explain the basis of any such determinations in the next proxy statement.

For purposes of this section, (i) "immediate family member" shall have the meaning set forth in the NYSE and SEC independence rules; (ii) the term "executive officer" has the same meaning specified for the term "officer" in Rule 16a-1(f) under the Securities Exchange Act of 1934; and (iii) "the Corporation" includes any subsidiary of the Corporation that is required to be consolidated under U.S. generally accepted accounting principles.

7. Board Membership Criteria

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, to the Corporation and its stockholders. Additional potential criteria against which candidates may be measured may include the following (which are re-assessed annually):

- meets bylaw age requirement;
- reflects highest personal and professional integrity;
- meets NYSE independence criteria;
- has relevant educational background;
- has exemplary professional background;
- has relevant past and current employment affiliation(s), Board affiliations and experience;
- is free from conflicts of interest;
- is technology-proficient;
- has demonstrated effectiveness;
- possesses sound judgment;
- brings a diverse background;
- has adequate time to devote to Board responsibilities; and
- represents the best interests of all stockholders.

Annually the Nominating and Corporate Governance Committee reviews the qualifications and backgrounds of each individual director, as well as the overall composition of the Board, and recommends to the Board the slate of directors to be nominated for election at the annual meeting of stockholders. Nominations to the Board may also be submitted to the Nominating and Corporate Governance Committee by the Corporation's stockholders.

8. *Former Officers' Board Membership*

The Board has instituted a practice whereby upon retirement from the Corporation, an employee-director will retire from the Board (at the time of retirement from the Corporation) unless continued service on the Board is recommended by the Nominating and Corporate Governance Committee and by the Board.

9. *Extending the Invitation to a New Potential Director to Join the Board*

The invitation to join the Board is extended by the Chairman or Lead Director on behalf of the Board.

10. *Directors Who Change Their Present Job Responsibility*

Any director who experiences a significant change in responsibilities or assignment should expect to resign from the Board, unless the Nominating and Corporate Governance Committee recommends to the Board that continued service on the Board is appropriate and the Board concurs.

11. *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, it is critical that directors have the opportunity to dedicate sufficient time to their service on the Corporation's Board. To that end, (i) a director may not serve on the boards of more than four other public companies or, (ii) if the director is an active Chief Executive Officer or equivalent of another public company, on the boards of more than two other public companies, and (iii) no member of the Audit Committee may serve on more than two other public company audit committees; in each case, without obtaining the approval of the Nominating and Corporate Governance Committee. In addition, directors must notify the Chief Executive Officer, Lead Director and Corporate Secretary before accepting an invitation to serve on the board of any other public company.

12. *Term Limits*

Members of the Board are nominated by the Nominating and Corporate Governance Committee of the Board for election by the stockholders at each annual meeting.

13. *Retirement Age*

The Corporation's Bylaws provide that a director will retire from the Board at the annual meeting of stockholders following the director's 75th birthday.

14. *Failure to Receive the Required Vote for Election as a Director*

If an incumbent director fails to receive the vote required by the Corporation's Bylaws for election as a director in an uncontested election, the director shall promptly offer his or her resignation to the Board for consideration. The Nominating and Corporate Governance Committee will make a recommendation to the Board as to whether to accept or reject the tendered resignation, or whether other action is recommended. In reaching its decision, the Board will consider the Nominating and Corporate Governance Committee's recommendation and may consider any other factors it deems relevant, which may include the director's qualifications, the director's past and expected future contributions to the Corporation, the overall composition of the Board and Committees of the Board, whether accepting the tendered resignation would cause the Corporation to fail to meet any applicable rule or regulation (including the NYSE listing standards and the requirements of the federal securities laws) and the percentage of outstanding shares represented by the votes cast at the meeting. The Board will act on the resignation within 90 days following certification of the stockholder vote for the 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 SEC or by other public announcement, including a posting on the Corporation's website.

A director who has offered to resign will not participate in the deliberations of the Nominating and Corporate Governance Committee or in the Board's consideration of the Committee's recommendation with respect to that director. If as a result of this Guideline 13 a majority of the members of the Nominating and Corporate Governance Committee have offered to resign, then the independent directors (determined pursuant to Guideline 6 of these Corporate Governance Guidelines) who have not offered to resign, without further action by the Board, shall constitute a Committee of the Board, for the purpose of considering the offers to resign, making recommendations to the Board to accept or reject those offers and, if appropriate, making recommendations 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, shall 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.

If a director's resignation is accepted by the Board pursuant to this Guideline 13, 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 not elected at the meeting by the vote required under the Corporation's Bylaws.

15. Code of Ethics

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

16. Independent Auditor Partner Rotation

Lead and concurring partners within the Corporation's independent auditing firm will rotate in accordance with SEC regulations.

17. Director Education/Orientation

The Board is committed to orienting new directors and providing continuing education for existing directors, including customized educational workshops and facilitating directors' attendance at director education institutes.

18. Committees

The Board currently is organized into seven committees: Audit; Classified Business and Security; Ethics and Corporate Responsibility; Executive; Management Development and Compensation; Nominating and Corporate Governance; and Strategic Affairs and Finance. Provisions with respect to membership, responsibilities, authorities and governance of each of these committees and their subcommittees (if applicable) are set forth in the committee charters (<http://www.lockheedmartin.com/investor>). All committee members are independent pursuant to the NYSE listing standards except for the Executive Committee which is currently chaired by the Chairman of the Board. From time to time, the Board may provide for such other standing or special committees as may be necessary to carry out its responsibilities.

19. Assignment of Committee Members

The Nominating and Corporate Governance Committee of the Board is responsible for the assignment of Board members to various committees. To fully utilize the diverse backgrounds of the membership, it is desirable that all independent directors serve on at least one of the committees and that committee assignments rotate periodically.

20. Frequency and Length of Meetings; Telephonic Attendance

The Chairman of the Board, and the Committee Chairman, as appropriate, determine the frequency and length of meetings of the Board, and committees, respectively. The Lead Director determines the frequency and timing of executive sessions of the non-management directors. The Audit Committee meets at least four times annually; the Ethics and Corporate Responsibility Committee, the Management Development and Compensation Committee, and the Strategic Affairs and Finance

Committee, each meet at least three times annually; the Classified Business and Security Committee and the Nominating and Corporate Governance Committee each meet at least twice annually in regularly scheduled sessions. Executive Committee meetings are scheduled as needed. Telephonic attendance at regular Board meetings is not allowed, except for special or extenuating circumstances as authorized by the Chairman of the Board. The Chairman of the relevant committee, in the case of committee meetings, shall determine whether telephonic attendance is permissible.

21. Committee Agenda

The Chairman of each committee, as appropriate, in consultation with management, develops the meeting agenda. To the extent feasible, the committee meeting schedules are set one year in advance.

22. Board Agenda

The Chairman establishes the agenda for each Board meeting following consultation with the Lead Director.

23. Presentations

To the extent practicable, Board presentations are distributed in advance to the directors. Proprietary or otherwise sensitive materials may be reserved for distribution at the Board meeting.

24. Regular Attendance of Non-Directors at Board and Committee Meetings

The Chairman of the Board, or Committee, as appropriate, designates the guest attendees at any Board or Committee meeting, who are present for the purpose of making presentations; responding to questions by the directors; or providing counsel on specific matters within their areas of expertise.

25. Performance Evaluation of the Board

Each director will participate in an annual performance evaluation of the Board and the Committees on which he or she serves at least annually to determine whether the Board and its committees are functioning effectively.

26. Executive Sessions of Non-Management Directors

At least three Board meetings per year will include an executive session of the non-management directors. In each case, these sessions will include a discussion of the performance of the Chairman and Chief Executive Officer. The Lead Director presides during the executive sessions, and he or she will report the results to the Chairman and Chief Executive Officer on all relevant matters, or invite the Chairman and Chief Executive Officer to join the executive session for further discussion, as appropriate. If the group of non-management directors includes directors who are not independent directors, at least one executive session including only independent directors will be scheduled each year.

27. Director Compensation

The Nominating and Corporate Governance Committee of the Board reviews and recommends to the Board the compensation of the Board, which is formally reviewed and approved by the Board of Directors. Management reviews with the Committee on an annual basis the status of Board compensation relative to a peer industry survey group. The Corporation's director compensation program is structured to align the interests of Board members, executives and stockholders; to attract and retain high quality director talent; and to focus on stewardship rather than attendance.

28. Director Stock Ownership/Prohibition on Hedging Transactions

- (i) To further encourage a link between director and stockholder interests, the Board has adopted stock ownership guidelines for directors. Directors receive at least half of their compensation in the form of the Corporation's common stock units or stock options (with the potential to defer the remaining cash portion in stock units). In addition, directors are expected to own shares or stock units equal to 2 times the annual retainer within 5 years of joining the Board. Until a director has achieved these stock ownership guidelines, a director is expected to select common stock units as the form of any annual equity compensation award.

- (ii) In furtherance of aligning the interests between directors and stockholders and to avoid the appearance of disloyalty, Board members will not purchase financial instruments designed to hedge or offset any decrease in the market value of the Corporation's common stock (including prepaid variable forward contracts, equity swaps, collars, and exchange funds). This policy applies to shares of the Corporation's common stock that are (a) granted to the members of the Board of Directors as part of the Board's compensation; or (b) held, directly or indirectly, by the members of the Board of Directors.

29. Director Access to Senior Management and Independent Advisors

Directors have access to the Corporation's management. Directors shall not give direction, other than through the Chief Executive Officer. The Board encourages management to include key managers in Board meetings who can share their expertise with respect to matters before the Board. This also enables the Board to gain exposure to key managers with future potential in the Corporation. Directors may also engage and have access to the Board's independent advisors.

30. Compensation Consultant Independence

The outside advisors to the Management Development and Compensation Committee will maintain independence relative to their providing counsel and advice to the Committee, and otherwise providing advice and services to the Corporation. On an annual basis, the Committee will perform an assessment of its advisory firm's independence. In performing this assessment, the Committee will consider the nature and level of work performed for the Committee during the year, the nature of other services performed for the Corporation and the amount of fees paid to the firm in relation to the firm's total revenues. The advisory firm will prepare and provide to the Committee an independence letter annually based on criteria set forth by the Committee. The Committee will discuss the letter with the firm and consider it in its assessment.

31. Formal Evaluation of the Chief Executive Officer

The Management Development and Compensation Committee evaluates the Chief Executive Officer annually, and reviews its actions with the Board. The Board communicates its views to the Chief Executive Officer through the Chairman of the Management Development and Compensation Committee. The Management Development and Compensation Committee's evaluation of the Chief Executive Officer is based upon a combination of objective and subjective criteria and is discussed fully each year in the Corporation's annual proxy statement.

32. Shareholder Rights Plan

Lockheed Martin does not have a Shareholder Rights Plan, or "Poison Pill," and the Board of Directors has no intention of adopting one at this time. If the Board of Directors does choose to adopt a Shareholder Rights Plan, the Board will seek shareholder ratification within 12 months from the date of adoption.

33. Management Succession

A Board-approved Chief Executive Officer succession plan is in place, which includes policies and principles for selection and performance review as well as policies regarding succession in the event of an emergency or the retirement of the Chief Executive Officer. The Management Development and Compensation Committee reports annually to the Board on succession planning and management development activities. The Chief Executive Officer meets periodically with the Management Development and Compensation Committee to make available his recommendations and evaluations of potential successors, along with a review of development plans recommended for succession candidates and others in the senior management group.

34. Clawback Policy For Executive Incentive Compensation

If the Board determines that any elected officer's intentional misconduct, gross negligence, or failure to report another's intentional misconduct or gross negligence:

- was a contributing factor to the Corporation having to restate any of its financial statements filed with the SEC; or

- constituted fraud, bribery or other illegal act (or contributed to another person's fraud, bribery or other illegal act) which adversely impacted the Corporation's financial position or reputation;

then, after consideration of all the facts and circumstances that the Board in its sole discretion considers relevant, the Board shall take such action as it deems to be in the best interests of the Corporation and necessary to remedy the misconduct and prevent its recurrence. Among other things, the Board may, to the fullest extent permitted by law, seek to recover or require reimbursement of incentive performance and equity awards made to the elected officer after January 1, 2008 under any plan providing for incentive compensation, equity compensation or performance-based compensation. This policy applies to annual management incentive compensation (or bonus) awards, long-term incentive performance awards, stock options, restricted stock awards and restricted stock units. Provisions authorizing the recovery of awards have been incorporated into the award agreements after January 1, 2008 under the Corporation's Amended and Restated 2003 Incentive Performance Award Plan. Recovery or reimbursement from the elected officer may include recoupment of money or shares, immediate forfeiture of unvested awards, and cancellation of outstanding vested awards.

35. Board Interaction with Institutional Investors, the Press, Customers, or Third Parties

The Board looks to Management to speak for the Corporation, but recognizes that individual directors may sometimes communicate with third parties on matters affecting the Corporation. Before doing so, to the extent feasible, directors are encouraged to consult with Management.

36. Related Person Transactions

The Board has adopted a policy which requires that any transaction in excess of \$120,000 between the Corporation and any director, executive officer, 5 percent and greater stockholder, any member of their immediate family, or their related interests be disclosed to and reviewed, approved or ratified by the Nominating and Corporate Governance Committee of the Board. The Committee in its discretion may approve any transaction with a related person that it determines is fair and reasonable to the Corporation.

37. Special Meetings of Stockholders

Subject to the requirements of the Corporation's Bylaws, special meetings of stockholders may be called at the written request of an individual stockholder who is entitled to vote 10% or more of the outstanding shares, or persons who, in the aggregate, are entitled to vote 25% or more of the outstanding shares of the Corporation.

38. How to contact the Non-management Directors of the Corporation

The Nominating and Corporate Governance Committee of the Board has created a process by which parties may communicate directly and confidentially with the Lead Director or with the non-management directors as a group. If you wish to raise a question or concern to the Lead Director or the non-management directors as a group, you may do so by contacting:

Douglas H. McCorkindale
Lead Director

or

Non-Management Directors
Lockheed Martin Corporation
6801 Rockledge Drive
Bethesda, MD 20817

Adopted by the Board of Directors on January 26, 2012