

LOCKHEED MARTIN CORP
Form DEF 14A
March 11, 2016

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- 4) Proposed maximum aggregate value of transaction:
- 5) Total fee paid:

Fee paid previously with preliminary materials.

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 - 3) Filing Party:
 - 4) Date Filed:
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Table of Contents

March 11, 2016

Dear Fellow Stockholders:

On behalf of the Lockheed Martin Board of Directors, it is my pleasure to invite you to our 2016 Annual Meeting of Stockholders. The meeting comes at an exciting time for Lockheed Martin considering the latest events outlined below.

Portfolio Changes

In 2015, we made several strategic moves to reshape our portfolio and position the Corporation for the future. We closed on our acquisition of Sikorsky Aircraft Corporation, a world leader in the design, manufacture and support of military and commercial helicopters, and welcomed nearly 15,000 additional members to the Lockheed Martin team. We share a legacy of innovation and performance with Sikorsky that has shaped the history of aviation for more than a century. Together, we will provide the best value for our customers, employees and stockholders.

We completed a strategic review of our realigned government IT and technical services businesses at Information Systems & Global Solutions (IS&GS). This led to a definitive agreement to combine IS&GS with Leidos Holdings, Inc. as part of a Reverse Morris Trust transaction. The agreement will form a new separate company that aligns our exceptional IS&GS business with an industry leader, and positions the organization for growth and long-term success.

Strong Financial Performance

2015 was an exceptional year for Lockheed Martin. We delivered on our commitments to customers, and our performance and market position yielded strong returns for our stockholders. We increased net earnings per share and generated more than 16 percent total stockholder return, including \$1.9 billion in dividends. This was our 13th consecutive year of double-digit dividend rate growth. And, as always, we achieved these results while remaining committed to the ethics, integrity and values that are the hallmark of Lockheed Martin.

Board Member to Retire

At this year's meeting, Gwendolyn S. King will retire in accordance with the mandatory retirement provision in our bylaws. We wish Mrs. King well in retirement and are extremely grateful for her steady guidance and many important contributions, including the instrumental role she played in drafting and adopting our corporate governance guidelines; establishing the Board's Ethics and Sustainability Committee; and ensuring that management is accountable for acting responsibly on matters related to environmental safety and health, diversity, human rights and charitable contributions.

Proxy Voting

Because your proxy vote matters, I urge you to cast it promptly even if you plan to participate in the Annual Meeting. To attend in person, you must register in advance by following the instructions in the accompanying Proxy Statement.

Thank you for your continued support of Lockheed Martin.

Sincerely,

Marillyn A. Hewson
Chairman, President and Chief Executive Officer

Table of Contents

Lockheed Martin Corporation
6801 Rockledge Drive Bethesda, MD 20817

Notice of 2016 Annual Meeting of Stockholders

DATE:	Thursday, April 28, 2016
TIME:	8:00 a.m. Eastern Daylight Savings Time
PLACE:	Lockheed Martin Center for Leadership Excellence Auditorium 6777 Rockledge Drive, Bethesda, Maryland 20817

Agenda

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 2016;
 3. Advisory vote to approve the compensation of our named executive officers;
 4. Management proposal to re-approve the performance goals for the 2011 Incentive Performance Award Plan;
 5. Consideration of a stockholder proposal described in the accompanying Proxy Statement, if properly presented at the Annual Meeting; and
 6. Consideration of any other matters that may properly come before the meeting.
- We have enclosed our 2015 Annual Report to Stockholders. The report is not part of the proxy soliciting materials for the Annual Meeting.

You can vote if you were a stockholder of record on February 26, 2016. 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 89 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 11, 2016

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to be Held on April 28, 2016:
The 2016 Proxy Statement and 2015 Annual Report are available at www.lockheedmartin.com/investor.**

Table of Contents

Table of Contents

<u>PROXY STATEMENT</u>	<u>5</u>
<u>PROXY SUMMARY</u>	<u>5</u>
<u>CORPORATE GOVERNANCE</u>	<u>9</u>
<u>Corporate Governance Guidelines</u>	<u>9</u>
<u>Board Role in Strategic Planning</u>	<u>9</u>
<u>Independent Lead Director</u>	<u>10</u>
<u>Positions of Chairman and Chief Executive Officer</u>	<u>10</u>
<u>Board Evaluation and Refreshment</u>	<u>11</u>
<u>Overboarding Policy</u>	<u>12</u>
<u>Majority Voting Policy for Director Elections</u>	<u>12</u>
<u>Management Succession Planning</u>	<u>13</u>
<u>Board Role in Enterprise Risk Management</u>	<u>13</u>
<u>Stockholder Right to Call Special Meeting</u>	<u>14</u>
<u>No Poison Pill</u>	<u>14</u>
<u>Director Independence</u>	<u>14</u>
<u>Related Person Transaction Policy</u>	<u>15</u>
<u>Certain Relationships and Related Person Transactions of Directors, Executive Officers and 5 Percent Stockholders</u>	<u>15</u>
<u>ETHICS AND SUSTAINABILITY</u>	<u>17</u>
<u>Governance Structure</u>	<u>17</u>
<u>Ethics</u>	<u>17</u>
<u>Sustainability</u>	<u>18</u>
<u>Supplier and Community Engagement</u>	<u>18</u>
<u>COMMITTEES OF THE BOARD OF DIRECTORS</u>	<u>19</u>
<u>2015 Membership on Board Committees</u>	<u>19</u>
<u>Audit Committee Report</u>	<u>21</u>
<u>PROPOSAL 1: ELECTION OF DIRECTORS</u>	<u>22</u>
<u>Board Meeting Attendance</u>	<u>22</u>
<u>Board Composition, Qualifications and Diversity</u>	<u>22</u>
<u>PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS</u>	<u>29</u>
<u>Pre-Approval of Independent Auditors Services</u>	<u>29</u>
<u>Fees Paid to Independent Auditors</u>	<u>29</u>
<u>PROPOSAL 3: ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS (SAY-ON-PAY)</u>	<u>31</u>
<u>EXECUTIVE COMPENSATION</u>	<u>32</u>
<u>Compensation Committee Report</u>	<u>32</u>
<u>Compensation Discussion and Analysis (CD&A)</u>	<u>32</u>
<u>Summary Compensation Table</u>	<u>54</u>
<u>2015 Grants of Plan-Based Awards</u>	<u>58</u>
<u>Outstanding Equity Awards at 2015 Fiscal Year-End</u>	<u>60</u>
<u>Option Exercises and Stock Vested During 2015</u>	<u>61</u>
<u>Retirement Plans</u>	<u>61</u>
<u>2015 Pension Benefits</u>	<u>62</u>

<u>Nonqualified Deferred Compensation</u>	<u>63</u>
<u>Potential Payments Upon Termination or Change in Control</u>	<u>66</u>
<u>Equity Compensation Plan Information</u>	<u>70</u>
<u>PROPOSAL 4: MANAGEMENT PROPOSAL TO RE-APPROVE THE PERFORMANCE GOALS FOR THE 2011 INCENTIVE PERFORMANCE AWARD PLAN</u>	<u>71</u>
<u>DIRECTOR COMPENSATION</u>	<u>77</u>
<u>SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS</u>	<u>79</u>
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	<u>80</u>
<u>STOCKHOLDER PROPOSAL 5</u>	<u>81</u>
<u>QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING</u>	<u>83</u>
<u>ATTENDING THE ANNUAL MEETING</u>	<u>89</u>
<u>APPENDIX A: DEFINITION OF NON-GAAP (GENERALLY ACCEPTED ACCOUNTING PRINCIPLES) MEASURES</u>	<u>90</u>
<u>APPENDIX B: LOCKHEED MARTIN CORPORATION 2011 INCENTIVE PERFORMANCE AWARD PLAN, AS AMENDED AND RESTATED</u>	<u>92</u>
4 www.lockheedmartin.com/investor	

Table of Contents**PROXY STATEMENT**

The Board of Directors (the Board) of Lockheed Martin Corporation (the Corporation) is providing the Notice of 2016 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 28, 2016, 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 11, 2016.

PROXY SUMMARY

This proxy 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 2015 PERFORMANCE**

2015 Financial Measures*	2015 Goals		Reported	2015
	(\$)		Results	Annual
			(\$)	Incentive
				Assessment
Orders	43,500	45,000M	50,229M	Significantly Exceeded
Sales	43,500	45,000M	46,132M	Significantly Exceeded
Segment Operating Profit*	5,100	5,250M	5,486M	Significantly Exceeded
Cash from Operations		≥ 5,000M	5,101M	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.

2016 Proxy Statement

5

Table of Contents

Proxy Summary

2015 Board Composition, Qualifications and Diversity

Board Independence **Board Tenure**

Gender **Age Mix**

Senior Leadership Experience

7 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.

Global Experience

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

Financial Experts

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

Government/Military Experience

5 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

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

Clawback Policy on all Variable Pay	Stock Ownership Guidelines for Directors and Officers	Overboarding Policy	Independent Directors Meet Regularly Without Management	Annual Board Self-Assessment
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6 www.lockheedmartin.com/investor

Table of Contents

Proxy Summary

Long-Standing, Active Investor Engagement Program

We actively engage with our investors as part of our annual corporate governance cycle via email, telephone and in person meetings. Our engagement includes the direct involvement of senior management. Stockholders and others also may communicate with our Lead Director and other non-management directors. During 2015, we held 37 meetings with our largest institutional investors and other interested stockholders. These stockholders represented approximately 40 percent of the Corporation's outstanding shares. We discussed our governance and compensation practices overall and sought feedback on proposed changes to our annual incentive program. Management shared investor feedback directly with the Board of Directors.

In response to investor feedback received during 2015, we enhanced our corporate governance disclosure in this Proxy Statement by providing additional information regarding the:

Board evaluation and refreshment process;

Board's role in enterprise risk management;

Board's oversight efforts in corporate responsibility and environmental stewardship; and

Role and responsibilities of the Audit Committee.

2015 Say-on-Pay Vote Results

At our 2015 Annual Meeting, more than 94 percent of the votes cast by our stockholders approved our say-on-pay proposal. This vote represents our highest approval rate to date.

As part of our ongoing efforts to align our compensation programs with the interests of our stockholders, we consider the input of our stockholders and emerging best practices in adopting our executive pay programs. Most investor feedback related to our pay governance and executive compensation programs was positive. We will continue to engage with our stockholders in 2016.

2015 Compensation Highlights

A substantial portion of compensation paid to our named executive officers (NEOs) is performance-based. We use the 50th percentile of our comparator group to set target compensation but allow for payments to exceed or fall below the target level based upon actual performance. Due to our record levels of performance in 2015, our short- and long-term incentive plans paid out above the targets. This outcome is consistent with our pay for performance philosophy to set pay and targets at market levels, but pay incentive compensation to reflect actual performance.

2016 Proxy Statement

7

Table of Contents

Proxy Summary

Board Recommendations on Voting Matters

Proposal	Description	Board Voting Recommendations	Page
1	Election of Directors	FOR ALL DIRECTOR-NOMINEES	22
2	Ratification of Appointment of Independent Auditors	FOR	29
3	Advisory Vote to Approve the Compensation of our Named Executive Officers (Say-on-Pay)	FOR	31
4	Management Proposal to Re-Approve the Performance Goals for the 2011 Incentive Performance Award Plan	FOR	71
5	Stockholder Proposal on Special Meeting Stock Ownership Threshold	AGAINST	81

You can vote in the following ways:

Via the Internet
Visit
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.

In Person
Attend the meeting to vote
in person.

Attendance at the Annual Meeting

If you plan to attend the Annual Meeting, you must be a stockholder as of the record date, February 26, 2016, and obtain an admission ticket in advance following the instructions set forth on page 89.

Requests for admission tickets will be processed in the order in which they are received and must be received no later than April 22, 2016. 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. Stockholders 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.

8 www.lockheedmartin.com/investor

Table of Contents

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.

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 Chief Executive Officer (CEO), the Lead Director and other members of management and are available to provide advice and counsel to management.

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 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 its committees;

Director stock ownership guidelines (currently, five times the cash portion of the annual retainer);

A clawback policy for executive incentive compensation; and

Anti-hedging and anti-pledging transactions involving our stock.

The Governance Guidelines also state 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 set forth the procedures to be followed by the Board in considering whether to accept or reject the resignation. See Majority Voting Policy for Director Elections on page 12.

Board Role in Strategic Planning

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

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(EVP & CFO) reviews the long-range plan with the Board. Annually, the Board convenes a 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 of the Board meets throughout the year to review the progress of and challenges to the Corporation's strategy and to approve specific initiatives, including acquisitions and divestitures over a certain size threshold. At each regular Board meeting, the Chairman, President and CEO reviews developments within the context of the Corporation's strategic framework.

2016 Proxy Statement

9

Table of Contents

Corporate Governance

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 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 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 a member of the Executive Committee of the Board;

Serve as an 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; and

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. Archibald was elected by the independent directors as Lead Director, effective at the conclusion of the 2015 Annual Meeting and has served in that capacity since that time. 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.

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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 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 in prior years;

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;

Table of Contents

Corporate Governance

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

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 Evaluation and Refreshment

To enhance Board functioning and the effectiveness of the Board relationship with management for the benefit of our stockholders, the Board regularly evaluates its performance through self-assessments, corporate governance reviews and periodic charter reviews. Those evaluations, changes in our business strategy or operating environment and the future needs of the Board in light of anticipated director retirements are used to identify desired backgrounds and skill sets for future Board members. The Board also maintains tenure policies (contained in our Governance Guidelines) as a means of ensuring that the Board regularly benefits from a balanced mix of perspectives and experiences.

Board Refreshment Elements

Annual Performance Assessment	The Board conducts a self-assessment of its performance and effectiveness as well as that of its committees on an annual basis. The self-assessments help 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 2015, each director completed a written questionnaire. The questions were open-ended to solicit candid feedback. The collective ratings and comments are compiled, summarized and presented to the Governance Committee and the full Board.
Governance Committee Review	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. The Governance Committee has retained a third party firm to assist in the identification and evaluation of potential director candidates.
	<p>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:</p> <ul style="list-style-type: none"> 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; The future needs of the Board in light of anticipated director retirements; and A balance between public company and customer-related experience.
Board Committee Assignments	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 or a desire for committee rotation or refreshment. 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

	<p>Committee recommends to the Board any proposed changes to committee assignments and leadership to be made effective at the next annual meeting of stockholders.</p>
<p>Nominees by Stockholders</p>	<p>Director candidates also may be identified by stockholders and will be evaluated and considered by the Governance Committee. Stockholder proposals for nominations for the 2017 Annual Meeting should be submitted between the dates of October 12, 2016 and November 11, 2016, inclusive, to: Nominating and Corporate Governance Committee, c/o Senior Vice President, General Counsel and Corporate Secretary, Lockheed Martin Corporation, 6801 Rockledge Drive, Bethesda, MD 20817. Additional information can be found in Section 1.10 of our Bylaws on the Corporation's website at www.lockheedmartin.com/corporate-governance.</p>
<p>Onboarding and Continuing Education</p>	<p>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.</p>

Table of Contents

Corporate Governance

Our Tenure Guidelines

Mandatory Retirement Age	Directors must retire at age 75.
Employment Change	Directors must offer to resign upon any substantial change in principal employment.
Failed Election	Directors must offer to resign as a result of a failed stockholder vote.

Overboarding Policy

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.

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.

Majority Voting Policy for 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 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

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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.

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.

12 www.lockheedmartin.com/investor

Table of Contents**Corporate Governance****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.

Board Role in Enterprise Risk Management

Our risk management philosophy is to balance risk and reward within management and the Board's risk tolerance. This is accomplished through risk management practices, core values and our code of conduct, each of which reinforces a risk transparent culture. The Board and its committees receive risk updates throughout the year. Executive management provides updates on risks managed at the enterprise level. Business area management provides updates on risks to individual business area objectives.

The Board considers the full spectrum of business risks including strategic, operational, financial, reputation and compliance risks. Oversight of risk is assigned to the full Board unless delegated to one of the standing committees. The Audit Committee reviews our policies and practices with respect to risk assessment and risk management, identification and oversight of 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.

The Board's committees review risks within their respective domains. Risk mitigation for the risks identified as most significant to our corporate objectives and strategy are reviewed by the Strategic Affairs Committee or the full Board.

Risk Governance

Board Committee	Risk Purview
Audit	Financial and compliance risk and risk process
Classified Business and Security	Classified programs and security of personnel, facilities and data related risks including cyber
Ethics and Sustainability	Employee safety and health and ethical conduct risk
Compensation	Talent, workforce and incentive performance compensation risks
Strategic Affairs	Risks related to business strategy and identified enterprise risks
Governance	Board composition and corporate governance function and process risks

Management employs three levels of controls in providing risk assurance for the Board. Line management provides day-to-day procedures and controls. Functional and corporate management conduct reviews and oversight and Internal Audit, including external auditors, offers an additional level of risk-based assurance.

In 2015, the Board and its Committees received reports on the enterprise risk mitigation plans for risks identified as most significant by management, including reports on cyber security.

Table of Contents

Corporate Governance

Stockholder Right to Call Special Meeting

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 a matter voted on at a special meeting within the preceding 12 months unless requested by a majority of all stockholders. The Board believes that our current governance practice strikes an appropriate balance between the right of stockholders to call a special meeting and the interests of the Corporation and its stockholders in promoting the appropriate use of company resources. The 25 percent threshold is the most prevalent standard among the companies in our comparator group. The Board added the 10 percent threshold in light of our institutional ownership profile which has included large holdings by a single investor.

The Board recommends that you vote AGAINST Stockholder Proposal 5 on page 81 requesting that the Board change the stock ownership threshold to call a special meeting. We believe that the proposal is unnecessary because our stockholders already have a meaningful right to call special meetings.

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 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, which 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, Bruce A. Carlson, James O. Ellis, Jr., Thomas J. Falk, Gwendolyn S. King, James M. Loy, 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

Table of Contents

Corporate Governance

included: Mr. Akerson (LDiscovery, LLC, The Carlyle Group and Northrop Grumman Corporation (family member employer)); Mrs. Brewer (Wal-Mart Stores, Inc. which includes Sam's Club); Mr. Ellis (Level 3 Communications, Inc., Draper Laboratory and Stanford University Hoover Institution); Mr. Falk (Catalyst, Inc.); Mrs. King (ESPN (family member employer)), Mr. Loy (The Cohen Group) and Mr. Ralston (The Cohen Group, The Timken Company and Lynden Air Cargo). 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 entities. 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 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.

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 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 or director-nominee, any executive officer of the Corporation, any person who is known to be the beneficial owner of more than five percent of any class of the Corporation's voting securities, or an immediate family member of any person described above.

Our 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.

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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 2015, we paid The Cohen Group \$522,500 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.

2016 Proxy Statement

15

Table of Contents

Corporate Governance

We currently employ approximately 126,000 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's (Joseph Ralston) brother-in-law, Mark E. Dougherty, who is employed as a Capture Management Principal. Mr. Dougherty's 2015 base salary was \$174,253, and he received an employee incentive plan award of \$16,900. His base salary was increased to \$179,655 for 2016 and he received an employee incentive plan award of \$13,900. 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 2015.

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 our common stock. In 2015, the Corporation paid \$11,691,143 to State Street Corporation and its affiliates (including State Street Bank and Trust Company) for investment management, custodial, benefit plan administration fees and credit facility fees; \$903,442 to BlackRock, Inc. and its affiliates for investment management of fixed-income assets held in the Corporation's master savings trust; \$5,402,796 to Capital Guardian, an affiliate of Capital World Investors, for investment management fees and \$307,665 to The Vanguard Group, Inc. and its affiliates for investment management services.

16 www.lockheedmartin.com/investor

Table of Contents

ETHICS AND SUSTAINABILITY

Governance Structure

The Ethics and Sustainability Committee of the Board of Directors oversees efforts in corporate responsibility, human rights, environmental stewardship, political contributions, employee safety and health, 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

5 Independent Directors comprise this Board committee, which provides oversight for the Ethics and Sustainability programs, approves the Code of Conduct and reviews Sustainability Management Plan performance, stakeholder engagement and environmental and social risks and initiatives.

Business Segment Steering Committees

The **Executive Vice President** of each Business Segment chairs a steering committee that regularly reviews the ethics program within that Business Segment.

Ethics

We strive to enhance our high standards and controls for ethical business conduct, compliance and transparency. Our values – Do What's Right, Respect Others and Perform with Excellence – underpin our comprehensive Code of Conduct and Supplier Code of Conduct. The Code of Conduct, which has been in place since the Corporation was formed in 1995 (available on the Corporation's website at www.lockheedmartin.com/us/who-we-are/ethics/code.html), applies to all Board members as well as officers and employees. It provides our policies and expectations for 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 against reporting parties 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 2015.

In 2015, Lockheed Martin:

Introduced more interactive testing techniques in an updated anti-corruption virtual training platform. The Ethics staff also led engagement activities at 100 company locations to educate employees regarding potential risk factors, enhance ethics office accessibility and strengthen guidance for small and physically or organizationally remote sites.

Streamlined our Gifts and Business Courtesies and Compliance with Anti-Corruption Laws policies and launched an online tool for employees to verify adherence to these policies on a case-by-case basis.

Notable ethics achievements in 2015 include:

Distinguished as one of only four aerospace and defense companies worldwide to earn an A rating from Transparency International-UK for anti-corruption controls and practices.

Won the 2015 Corporate Governance Award for Best Ethics and Compliance Program among large-cap companies from Corporate Secretary magazine.

Earned a total of four communications awards for our Ethics Awareness and Training materials.

2016 Proxy Statement

17

Table of Contents

Ethics and Sustainability

Sustainability

Our sustainability mission is to foster innovation, integrity and security to protect the environment, strengthen communities and foster responsible growth. First and foremost, our sustainability strategy guides a systematic approach to understand and manage environmental, social and governance risks that represent stakeholder priorities and drivers of long-term business success.

In 2015, Lockheed Martin:

Published its fourth annual sustainability report, which discloses performance indicators on our environmental, social and governance commitments and responsibilities and adheres to the Global Reporting Initiative (GRI) G4 Core Guidelines. Our sustainability reports are available at www.lockheedmartin.com/sustainability.

Reviewed mid- and full-year performance of our Sustainability Management Plan commitments with our executive leadership team. This process helps to identify better business opportunities, strengthen enterprise risk management mechanisms, enhance our reputation and stakeholder confidence, drive energy and natural resource efficiency, and maximize our investments of financial, human and natural capital.

In our biennial practice, we re-examined our prioritization of sustainability issues based on their importance to stakeholders and relevant potential impact to the Corporation. We convened six summits in North America and Europe involving 80 internal and external stakeholders as part of an analysis of global mega-trends and critical issues.
Notable sustainability achievements in 2015 include:

Selected as only U.S. aerospace and defense prime contractor to the Dow Jones Sustainability World Index, which included Lockheed Martin for the second consecutive year. Selected as only U.S. aerospace and defense company to receive Silver Class distinction from RobecoSAM for excellence in sustainability performance.

Earned an A rating from MSCI for environmental, social and governance management and performance.

Named by CDP (formerly Carbon Disclosure Project) as one of the top companies worldwide for climate disclosure.

Included in the top ten among 100 Best Corporate Citizens by Corporate Responsibility (CR) Magazine.

Recognized by the Sustainable Purchasing Leadership Council with five Outstanding Case Study Awards for supplier spend analysis, ethics supplier mentoring, e-waste and manufacturing waste stewardship and our sustainable supply chain management program.

Supplier and Community Engagement

In 2015, Lockheed Martin partnered with suppliers, the community and non-governmental organizations to strengthen our communities and foster responsible growth, including:

Achieved approximately \$4.7 billion in total spending with more than 9,700 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 64 percent of our entire active supplier base.

Became one of the first companies to take the pledge to participate in the U.S. Small Business Administration (SBA) SupplierPay Initiative, introduced in 2014. As part of the pledge, Lockheed Martin began an accelerated payment schedule that provides prompt payment to over 7,000 small business suppliers.

Provided training to approximately 80 current, past or potential protégé small businesses under various federal government agency Mentor-Protégé programs.

Hired approximately 3,300 military veterans, representing approximately 36 percent of all external hires.

Introduced a Fast Track Supplier Mentoring program, which was developed as an option to accommodate suppliers interested in enhancing or implementing the elements of an effective ethics program. The program is designed to facilitate broader discussion of industry best practices through an accelerated, virtual, consolidated, group-based approach.

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Contributed nearly \$27 million to 975 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 \$19.1 million and reported volunteering more than one million hours to worthy causes. Over the last decade, employees have generously volunteered nearly 12 million hours of their own time in service to their communities.

Supported voluntarily the Conflict-Free Sourcing Initiative (CFSI) audit fund and selected two tin smelters that were identified as potential sources of supply in our supply chain, but had not yet been validated as conflict-free by the CFSI. This is a non-required element of our Conflict Minerals Program.

18 www.lockheedmartin.com/investor

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 on them following the 2015 annual meeting and the number of committee meetings held in 2015. Charters for each committee are available on the Corporation's website at www.lockheedmartin.com/corporate-governance.

2015 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	67	2014	Yes	X	X		X	Chair		
Nolan D. Archibald ¹	72	2002	Yes				X	X	Chair	X
Rosalind G. Brewer	53	2011	Yes			X		X	X	
David B. Burritt	60	2008	Yes	X				X		X
Bruce A. Carlson	66	2015	Yes		X				X	
James O. Ellis, Jr.	68	2004	Yes	X	X		X			Chair
Thomas J. Falk	57	2010	Yes	Chair			X	X	X	
Marillyn A. Hewson	62	2012	No				Chair			
Gwendolyn S. King	75	1995	Yes			X			X	
James M. Loy	73	2005	Yes		X	Chair	X			X
Joseph W. Ralston	72	2003	Yes		Chair	X	X			X
Anne Stevens	67	2002	Yes			X			X	X
Meetings held in 2015				7	3	3	0	5	4	3

(1) Mr. Archibald succeeded Douglas McCorkindale as Lead Director effective following the 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 appointment, compensation, retention, oversight and termination 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 Audit Committee meets privately with the Vice President, Internal Audit, and the Corporation's independent auditors, Ernst & Young LLP. The functions of the Audit Committee are further described under the heading "Audit Committee Report" on page 21.

All the members of the Audit Committee are independent within the meaning of the NYSE listing standards, applicable SEC regulations and our Governance Guidelines. 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. Falk, Chairman of the Audit Committee, Mr. Akerson and Mr. Burritt 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.

Table of Contents

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 of the CBS Committee hold high-level security clearances.

Ethics and Sustainability Committee

The purpose of the Ethics and Sustainability Committee is to assist the Board in fulfilling its oversight responsibilities relating to the Corporation's ethical conduct, sustainability, environmental stewardship and employee safety and health. The Ethics and Sustainability 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 safety and health, 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. The Ethics and Sustainability Committee meets privately with the Vice President, Ethics and Sustainability, and the Senior Vice President, Corporate Secretary and General Counsel.

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 32, "Compensation Discussion and Analysis (CD&A)" beginning on page 32 and "Other Corporate Governance Considerations in Compensation" on page 51.

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

Nominating and Corporate Governance Committee

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 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.

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

Table of Contents

Committees of the Board of Directors

Strategic Affairs Committee

The Strategic Affairs 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 Strategic Affairs Committee reviews and recommends to the Board certain significant strategic decisions regarding exit from and entry into lines of business, acquisitions, joint ventures, investments or dispositions of businesses and assets and the financing of related transactions.

Audit Committee Report

The Audit Committee of the Board of Directors is responsible for overseeing the Corporation's accounting, auditing and financial reporting process, financial risk assessment and management process and for monitoring compliance with certain regulatory and compliance matters, on behalf of the Board of Directors.

The Corporation's management is responsible for preparing the quarterly and annual consolidated financial statements, the financial reporting process, and maintaining and evaluating disclosure controls and procedures and a system of internal control over financial reporting.

In addition to its oversight of the Corporation's internal audit organization, the Audit Committee is directly responsible for the appointment, compensation, retention, oversight and termination of the Corporation's independent auditors, Ernst & Young LLP (Ernst & Young), an independent registered public accounting firm. The independent auditors are responsible for performing an independent audit of the Corporation's annual consolidated financial statements and internal controls over financial reporting and expressing an opinion on the conformity of those consolidated financial statements with U.S. generally accepted accounting principles and on the effectiveness of the Corporation's internal control over financial reporting.

In connection with the preparation of the Corporation's financial statements as of and for the year ended December 31, 2015, the Audit Committee reviewed and discussed with management and Ernst & Young the Corporation's audited consolidated financial statements, 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. The Audit Committee also discussed with Ernst & Young, with and without management, the quality of the financial statements, clarity of the related disclosures, effectiveness of internal control over financial reporting and other items required under Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 16, *Communications with Audit Committees*. Additionally, the Audit Committee received and reviewed the written disclosures and letter from Ernst & Young regarding its independence from the Corporation required by PCAOB Ethics and Independence Rule 3526, *Communications with Audit Committees Concerning Independence*. The Audit Committee has also discussed with Ernst & Young any matters affecting its independence from the Corporation.

Based on the Audit Committee's reviews and discussions described in this report, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements as of and for the year ended December 31, 2015 be included in Lockheed Martin Corporation's Annual Report on Form 10-K for 2015 for filing with the SEC. The Audit Committee also reappointed Ernst & Young to serve as the Corporation's independent auditors for 2016, and requested that this appointment be submitted to the Corporation's stockholders for ratification at the Annual Meeting. The Board of Directors approved the Audit Committee's recommendations.

Submitted on February 26, 2016 by the Audit Committee:

Thomas J. Falk, *Chairman*
Daniel F. Akerson
2016 Proxy Statement

David B. Burritt
James O. Ellis, Jr.

Table of Contents

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 and was recommended for nomination by the Governance Committee. The Governance Committee has determined that all the director-nominees, except for Marillyn 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 from time to time. Any candidates identified after the 2016 Annual Meeting will be considered by the Board as candidates to serve until the 2017 Annual Meeting.

The director-nominees are expected to attend the 2016 Annual Meeting. All director-nominees who are elected will serve a one-year term that will end at the 2017 Annual Meeting. If any of the director-nominees are unable or unwilling to stand for election at the 2016 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 date of 2016 Annual Meeting.

Board Meeting Attendance

In 2015, the Board met a total of 10 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 2015 Annual Meeting, except for Mr. Carlson who joined the Board in July 2015.

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 is 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.

Table of Contents

Proposal 1: Election of Directors

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.

Interpersonal Skills and Diversity. Directors with different backgrounds and skills help build diversity on the Board and maximize group dynamics in terms of function, experience thought, gender, race and age.

The Board unanimously recommends that you vote FOR each of the following Director-Nominees (Proposal 1).

Director-Nominees

Daniel F. Akerson

Age: 67
Director since: 2014
Independent

Committees:
 Audit
 Classified Business and Security
 Executive
 Management Development and Compensation

Other Public Boards:
 None

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 of The Carlyle Group from March 2014 to December 2015. 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. He 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 Chairman of the United States Naval Academy Foundation and Chairman of LDiscovery, LLC, an information services company.

Table of Contents

Proposal 1: Election of Directors

Nolan D. Archibald

Age: 72

Director since: 2002

Independent Lead Director

Committees:

Executive

Management Development
and Compensation

Nominating and Corporate
Governance

Strategic Affairs

Other Public Boards:

Brunswick Corporation

Huntsman Corporation

Skills and Qualifications

Experience with the demands and challenges of the global marketplace with a focus on innovation from his prior executive positions with Stanley Black & Decker, Inc., a company 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.

Rosalind G. Brewer

Age: 53

Director since: 2011

Independent

Committees:

Ethics and Sustainability

Management Development
and Compensation

Nominating and Corporate
Governance

Other Public Boards:

None

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 Wal-Mart Stores, Inc. (Walmart), 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, since February 2012. Previously, Mrs. Brewer was Executive Vice President and President of Walmart'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.

Table of Contents

Proposal 1: Election of Directors

David B. Burritt

Age: 60
Director since: 2008
Independent

Committees:
Audit
Management Development and Compensation
Strategic Affairs

Other Public Boards:
None

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.

Bruce A. Carlson

Age: 66
Director since: 2015
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