



**CRX-014, INDIVIDUAL CONFLICT OF INTEREST:
FREQUENTLY ASKED QUESTIONS AND ILLUSTRATIONS**

Q. What is CRX-014, Individual Conflict of Interest, designed to prevent?

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its reputation. Information that employees disclose about outside activities helps Lockheed Martin meet its obligation to act in a lawful and ethical manner and enables the Corporation to respond to the legitimate questions of its stockholders and others about the conduct of its business affairs.

Q. What should one do if his or her employment responsibilities would lead him or her to customer or supplier?

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

Q. How does CRX-014

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

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

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

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

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



Q. Does [CRX-014](#) cover a personal conflict of interest within the Corporation?

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

Section 4.16 of CRX-014 has two disclosure requirements. First, an employee must disclose if he or she has a reporting relationship with a family member or with someone with whom he or she has a romantic relationship. This includes situations where the employee is in a position to approve personnel actions or work assignments for or to approve expenditures by the other employee. Second, an employee serving in a director-level position or above must disclose if she



Yes. CRX-014 prohibits employees having a personal conflict with the interests of Lockheed Martin. However, there may be additional legal prohibitions that apply to certain governmental service. (See CRX





To avoid conflicts, an employee should not have any “material” interest in companies that are suppliers, customers, or competitors of Lockheed Martin. An interest in a company will be considered material if it meets any of three criteria: (1) it exceeds one percent (1%) of such company’s publicly held securities; or (2) it exceeds one percent (1%) of such company’s stock, or \$10,000, if it is not publicly held; or (3) it represents more than five percent (5%) of the employee’s net worth.

Any interest at all in a company that is not publicly traded will be considered material if the company is a supplier, customer, or competitor of Lockheed Martin. If an employee has any material interests in companies that are suppliers, customers, or competitors of Lockheed Martin



been asked by XYZ Corp. to consult with them on an hourly basis on proposals that they prepare for the federal government. XYZ seldom competes directly with Lockheed Martin, but it is possible that XYZ may do so on a given procurement. Does she need to report a potential conflict?

Yes. The potential for competition with Lockheed Martin and/or for benefiting a competitor, the chance of usurping a potential Lockheed Martin business opportunity, and the risk of creating confusion with regard to ownership of intellectual property make it likely that a conflict exists with regard to the activity Cristina proposes.

While working for a prior Lockheed Martin “heritage company,” you purchased stock regularly through an employee stock ownership program. Lockheed Martin spun off the heritage company (Company X) some time ago, and eventually it went public with a market capitalization of \$1.5 billion. You retained the stock and continued to purchase Company X’s stock from time to time. As a result, you own approximately 500 shares of Company X valued at \$50 per share. Company X both competes against and teams with Lockheed Martin. You work as a hardware design engineer for Lockheed Martin. Must you report this as a conflict of interest?

No. Company X is a large, publicly traded company with a market capitalization of \$1.5 billion, while your shares, as of today, are worth roughly \$25,000. From a conflict of interest perspective, the concern is that no employee be placed into a position of divided loyalty by virtue of his or her financial relationship (ownership interest) in a third party. Applying those objectives to your circumstances, your job for Lockheed Martin does not divide your loyalty and create a conflict of interest because you do not approve business decisions that would benefit Company X, and your total ownership interest in Company X does not rise above the material threshold.

Several years before Jodi joined Lockheed Martin, she and her brothers created a closely held family corporation to open a pizza parlor. Since that time, the business has expanded to four pizza parlors and two franchised sandwich shops. As a one-third owner, Jodi participates actively on the board of directors, also serving as the CFO of the corporation. Must Jodi report this? Does she need to divest ownership of this company? Does she need to resign from the board and/or CFO position?

Two factors require analysis in determining whether or not a potential conflict exists: (1) could Jodi’s outside financial interest lead to a divided loyalty, or the appearance of divided loyalty; and (2) does Jodi’s participation in the family corporation take enough of her time that it should be analyzed in terms of concurrent outside employment or “moonlighting?” ip77 Tmh(rv)33the board of directo





No. The mere fact that a customer of Lockheed Martin employs Dawn's husband does not create a conflict. However, if her husband's job places him in a position in which his official duties relate to or may influence the financial interests of Lockheed Martin, disclosure is required. Remember that Lockheed Martin's objective is to avoid an actual or potential conflict of interest. Accordingly, Dawn s



but then he should disengage from any other discussion. If he is the manager, he should avoid even making that recommendation, so as to avoid any appearance of undue influence. However, if Joe has no involvement other than attending meetings scheduled at Meet Now, then he would not have a conflict that requires disclosure.