

RESOLVED: Shareholders request that Lockheed Martin Corp. (“Lockheed Martin”) report to shareholders on the effectiveness of the Company’s diversity, equity, and inclusion efforts. The report should be done at reasonable expense, exclude proprietary information, and provide transparency on outcomes, using quantitative metrics, for hiring, retention, and promotion of employees, including data by gender, race, and ethnicity.

SUPPORTING STATEMENT: Quantitative data is sought so that investors can assess and compare the effectiveness of companies’ diversity, equity, and inclusion programs.

WHEREAS: Lockheed Martin has not shared sufficient quantitative hiring, retention, and promotion data to allow investors to determine the effectiveness of its human capital management programs.

Between September 2020 and September 2022, S&P 100 companies increased their release of hiring rate data by gender, race and ethnicity by 298 percent; retention rate data by 481 percent; and promotion rate data by 300 percent.¹ Companies that release, or have committed to release, more inclusion data than Lockheed Martin include Union Pacific, Boeing, Norfolk Southern and Northrop Grumman.

Numerous studies have pointed to the benefits of a diverse workforce. Their findings include:

- There is a positive association between diversity in management and cash flow, net profit, revenue, and return on equity.²
- Companies in the top quartile for gender diversity are 21 percent more likely to outperform on profitability.³
- The 20 most diverse companies had an average annual five year stock return that was 5.8 percentage points higher than the 20 least diverse companies.⁴

Similar to how an income statement pairs with a balance sheet, hiring, promotion and retention rate data show how well a company manages its workforce diversity. Without this data, investors are unable to assess a company’s human capital management program.

Companies should look to hire the best talent. However, Black and Latino applicants face hiring challenges. Results of a meta-analysis of 24 field experiments found that, with identical resumes, white applicants received an average of 36 percent more callbacks than Black applicants and 24 percent more callbacks than Latino applicants.⁵

Promotion rates show how well diverse talent is nurtured at a company. Unfortunately, women and employees of color experience “a broken rung” in their careers; for every 100 men who are promoted, only 86 women are. Women of color are particularly impacted, comprising 17 percent of the entry-level workforce and only four percent of executives.⁶

¹ <https://www.asyousow.org/our-work/social-justice/workplace-equity>

² <https://www.asyousow.org/report-pages/workplace-diversity-and-financial-performance>

³ Ibid

⁴ <https://www.wsj.com/articles/the-business-case-for-more-diversity-11572091200>

⁵ <https://hbr.org/2017/10/hiring-discrimination-against-black-americans-hasnt-declined-in-25-years>

⁶ https://wiw-report.s3.amazonaws.com/Women_in_the_Workplace_2021.pdf

Retention rates show whether employees choose to remain at a company. Morgan Stanley has found that employee retention above industry average can indicate a competitive advantage and higher levels of future profitability.⁷ Companies with high employee satisfaction have also been linked to annualized outperformance of over two percent.⁸

Investors have reason to be concerned as Lockheed Martin has faced allegations of race, age, and gender discrimination.

⁷https://www.morganstanley.com/im/publication/insights/articles/article_culturequantframework_us.pdf

⁸ https://www.institutionalinvestor.com/article/b1tx0zzdhnf5x/Want-to-Pick-the-Best-Stocks-Pick-the-Happiest-Companies?utm_medium=email&utm_campaign=The%20Essential%20I%20100721&utm_content=The%20Essential%20I%20100721%20CID_eb103a9e15359075f72a85f7ff534c79&utm_source=CampaignMonitorEmail&utm_term=Want%20to%20Pick%20the%20Best%20Stocks%20Pick%20the%20Happiest%20Companies