

THE VALUE OF PERFORMANCE.

NORTHROP GRUMMAN



2013

**CORPORATE
RESPONSIBILITY REPORT**



— OUR VALUES

We, the women and men of **NORTHROP GRUMMAN**, are guided by the following Values. They describe our company as we want it to be. We want our decisions and actions to demonstrate these Values. We believe that putting our values into practice creates long-term benefits for shareholders, customers, employees, suppliers, and the communities we serve.

We take responsibility for **QUALITY**.

Our products and services will be best-in-class in terms of value received for dollars paid. We will deliver excellence, strive for continuous improvement, and respond vigorously to change. Each of us is responsible for the quality of whatever we do.

We deliver **CUSTOMER** satisfaction.

We are dedicated to satisfying our customers. We believe in respecting our customers, listening to their requests and understanding their expectations. We strive to exceed their expectations in affordability, quality and on-time delivery.

We provide **LEADERSHIP** as a company and as individuals.

Northrop Grumman's leadership is founded on talented employees effectively applying advanced technology, innovative manufacturing, and sound business management. We add more value at lower cost with faster response. We each lead through our competence, creativity, and teamwork.

We act with **INTEGRITY** in all we do.

We are each personally accountable for the highest standards of behavior, including honesty and fairness in all aspects of our work. We fulfill our commitments as responsible citizens and employees. We consistently treat customers and company resources with the respect they deserve.

We value Northrop Grumman **PEOPLE**.

We treat one another with respect and take pride in the significant contributions that come from the diversity of individuals and ideas. Our continued success requires us to provide the education and development needed to help our people grow. We are committed to openness and trust in all relationships.

We regard our **SUPPLIERS** as essential team members.

We owe our suppliers the same type of respect we show to our customers. Our suppliers deserve fair and equitable treatment, clear agreements, and honest feedback on performance. We consider our suppliers' needs in conducting all aspects of our business.

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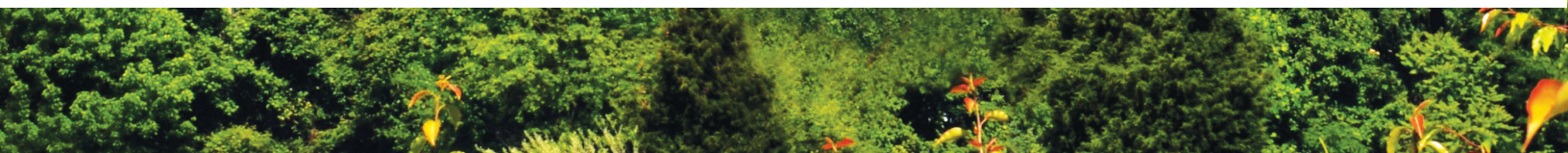
The Value of Performance Begins with Responsibility

We published our first Northrop Grumman Corporate Responsibility Report in 2008, which highlighted our environmental and social performance in 2007. Our reporting continues to focus on the environmental and social responsibilities critical to our key stakeholders including shareholders, customers, employees, local communities, governments, partners, and suppliers.

We report consistent with the Global Reporting Initiative (GRI), a third-party organization that has developed a widely used environmental, social, and governance reporting framework. To enhance technical quality, credibility, and relevance of our reporting, the GRI reporting framework is developed through a consensus-seeking process with participants drawn globally from business, civil society, labor, and professional institutions. This is another step in our ongoing effort to improve transparency and accountability in all we do.

This report will be submitted for a GRI Level Check, which evaluates the extent to which the GRI guidelines are met in the report. Further, for the third consecutive year, we assembled and engaged an independent External Review Panel to provide feedback and advice from a stakeholder perspective. This report reflects feedback received from the panel on our 2012 Corporate Responsibility Report.

NORTHROP GRUMMAN



INTRODUCTION



"I'm very proud of our employees, who are reflecting the company's values through their actions every day. As this report details, Northrop Grumman continues to make significant positive impacts in the communities where we live and work."

A handwritten signature in blue ink, appearing to read 'Wes Bush'.

*Wes Bush, Chairman,
Chief Executive Officer,
and President
Northrop Grumman Corporation*

We at Northrop Grumman are committed to be a top-performing company for our customers, shareholders, and employees. It is our objective to sustain top performance over the long term. To achieve that objective, we believe that our company must operate on a foundation of strong values that includes:

- A steadfast commitment to ethics, integrity, and compliance
- Effective corporate governance and leadership
- A diverse and highly engaged workforce operating in a safe and inclusive environment
- Dedication to quality and customer satisfaction
- Effective partnership with suppliers and other business partners
- Conducting our operations in an environmentally sustainable manner
- Effective corporate citizenship programs to advance education, support military service members and their families, and partner with the community leaders and groups where our employees live and work.

Our commitment at Northrop Grumman to ethical behavior remains steadfast. Our ethics program goes beyond compliance with laws and regulations, focusing on instilling and communicating our company values to management and employees to promote the highest ethical standards in all that we do. Our company leadership's role is essential. One example of our leadership team's focus on ethics was demonstrated during our 2013 Ethics Awareness Week where our senior leaders across the company participated in events to speak directly with employees about the importance of ethics.

Each year we examine our corporate governance to ensure we are meeting our commitment to shareholders and other stakeholders, updating policies where we see greater transparency is desirable. While we have always operated our company in a manner respectful of human rights, in 2013 we formalized our commitment by adopting a human rights policy that requires treating employees, suppliers, customers, and competitors with dignity and respect.

Sustaining our performance at high levels is not possible without a diverse workplace that embraces inclusion. We are very proud of the great work of our employee resource groups consisting of more than 14,000 employees across the enterprise. In 2013, we adopted several new diversity and inclusion initiatives and enhanced existing initiatives,

including increasing support for veterans, disabled employees, and our lesbian/gay/bisexual/transgender (LGBT) colleagues.

We greatly value our 9,500 suppliers for their significant contributions to our success. Through our Small Business Innovation Research program and other socio-economic business programs, we mentor and partner with small firms to help them develop and contribute to game-changing technology solutions for our customers.

Employee safety and environmental sustainability are vital to our performance and we are committed to improving our performance in these areas. Last year we achieved our greenhouse gas reduction goal two years ahead of plan and were recognized as a leader in this area by CDP (formerly the Carbon Disclosure Project). Maintaining employee safety is paramount to our mission and operations, and it continues to be part of our incentive performance metrics.

In corporate citizenship, we continued to support science, technology, engineering, and math programs for students from grade school through college, and to assist veterans, service members, and their families. We sponsor, with the Air Force Association, the CyberPatriot program to excite high school students about careers in cybersecurity. Every year, this program has expanded in popularity and participation. We also initiated a new effort in 2013 to aid homeless and low-income veterans. As we continue to increase our global presence, we have expanded our international corporate citizenship strategy, ensuring that our commitment to the communities in which we work and live extends with our new global business ventures.

I'm very proud of our employees, who are reflecting the Company's values through their actions every day. As this report details, Northrop Grumman continues to make significant positive impacts in the communities where we live and work while sustaining our operational performance and delivering high-quality, innovative, and affordable solutions to our customers.

Just as noteworthy, the report identifies our opportunities for improvement, which we intend to address proactively. As a team dedicated to top performance, we're always focused on improving. Thank you for your interest in our company and our commitment to corporate responsibility.

**Wes Bush,
Chairman, CEO, and President**



OUR COMPANY

OUR BUSINESS

Who We Are

Northrop Grumman is a publicly traded company headquartered in Falls Church, Virginia. We employ approximately 65,000 people. Our stock is listed on the New York Stock Exchange under the symbol NOC. We are a leading global security company providing innovative systems, products, and solutions in unmanned systems; cyber, Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR); and logistics and modernization to government and commercial customers worldwide.

We apply our core competencies and innovative capabilities to address the diverse and complex issues facing our customers, including the defense of our nation and allies, cybersecurity, homeland security, expanding the scientific frontiers of space, environmental and climate change, and large-scale civil information systems that enhance government services.

As a prime contractor, principal subcontractor, partner, or preferred supplier,

we participate in many high-priority national security technology programs in the United States and across the globe. We conduct most of our business with the U.S. federal government, principally the Department of Defense (DoD) and intelligence community. We also conduct business with local, state, and international governments, and domestic and international commercial customers.

Revenue from government contracts, which excludes non-U.S. military sales, accounted for 89 percent in 2011, 88 percent in 2012, and 86 percent in 2013 of total company revenues.

A key element of Northrop Grumman's growth strategy is our commitment to the international marketplace. We have a range of industry-leading capabilities available for international markets, and we sell products and services to customers in 25 nations.

Northrop Grumman has a well-established global presence outside the United States, and we maintain an extensive network of regional offices and local businesses serving customers in key markets in Europe, the Middle East, and Asia Pacific regions.

OUR COMPANY

2013 Highlights

Delivering solutions: In 2013, we generated \$24.7 billion in sales.

Risks and opportunities: One of the biggest challenges the company faced in 2013 was the uncertainty surrounding the federal budget and funding for our products and services.

While budgets were tighter, our customers' responsibilities have not been reduced. They continue to count on Northrop Grumman to be both innovative and more affordable in providing products and services. As the demands on customers increase, we are taking the actions necessary to ensure we are best prepared to continue to serve our customers' needs well. Our focus on delivering top performance, ensuring the highest level of quality, maintaining close communication with our customers, and applying innovative approaches to deliver more affordable products and services, while maintaining our commitment to ethics and integrity, contributes to our customers' ability to address their global security missions.

We have four operating sectors:

AEROSPACE SYSTEMS: A leader in the design, development, integration, and production of manned aircraft, unmanned systems, spacecraft, high-energy laser systems, microelectronics, and other systems and subsystems. Our Aerospace Systems' customers, primarily U.S. government agencies, use these systems in mission areas including intelligence, surveillance and reconnaissance (ISR), communications, battle management, strike operations, electronic warfare, earth observation, satellite communications, space science, and space exploration.

ELECTRONIC SYSTEMS: A leader in the design, development, manufacture, and support of solutions for sensing, understanding, anticipating, and controlling the operating environment for our global military, civil, and commercial customers. Through Electronic Systems, we provide a variety of defense electronics and systems, airborne fire control radars, situational awareness systems, early warning systems, airspace management systems, navigation systems, communications systems, marine power and propulsion systems, space systems, and logistics services.

INFORMATION SYSTEMS: A leading global provider of advanced solutions for the Department of Defense, national intelligence, federal civilian and state agencies, commercial, and international customers. Products and services focus on the fields

NORTHROP GRUMMAN SNAPSHOT

Number of employees: Approximately 65,000

Sales:

2013: \$24.7 billion

2012: \$25.2 billion

Operating margin rate:

2013: 12.7%

2012: 12.4%

Net earnings:

2013: \$2.0 billion

2012: \$2.0 billion

Diluted earnings per share:

2013: \$8.35

2012: \$7.81



OUR COMPANY

of command and control (C2), communications, cybersecurity, air and missile defense, intelligence processing, civil security, health information technology, government support systems, and systems engineering and integration.

TECHNICAL SERVICES: A leader in innovative and affordable logistics, modernization, and sustainment support. Through Technical Services, we also provide an array of other advanced technology and engineering services, including space, missile defense, nuclear security, training, and simulation.

Customers

At Northrop Grumman, we are accountable to our customers. We take very seriously our commitment to global security and the tremendous responsibilities inherent in that duty. We recognize that the work we do matters to our world today and in the future. We embrace our partnership with U.S. and allied defense and security leaders to provide high-quality, affordable products and systems through a robust mission-assurance process that emphasizes our company-wide focus on quality, innovation, and superior program performance.

2013 Major Goals

We work each day to serve our customers, and we work proactively with our business partners to be good citizens in the communities where we work and live. To demonstrate our commitment to perform responsibly, we highlight below our major Corporate Responsibility Report's Goals for 2013 and our performance relative to those goals.

GOAL

Provide high-quality, innovative, and affordable products and systems in support of the U.S. military and our allies in their missions to operate successfully anywhere on the globe.

This involves confronting irregular warfare including terrorism and addressing global security challenges, with a focus in the following primary categories:

- Unmanned Systems
- Cyber
- Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR)
- Logistics and Modernization

2013 PERFORMANCE

Our team continues to deliver outstanding products and services to our customers and financial performance results for our shareholders. We are consistently working to improve our performance in everything we do. We strive to be the top-performing company in our industry, providing our customers with

unique capabilities to continue to pursue their missions affordably.

GOAL

In our worldwide operations, focus on doing business consistent with our values and commitment to sustainability. Incorporate social responsibility and customer support into decision-making, including in the products we develop and manufacture, and the services we provide within the market.

PERFORMANCE

We currently do not manufacture or develop antipersonnel mines, cluster munitions, depleted uranium munitions, chemical, or biological weapons.

Quality

GOAL

Ensure mission success for our customers, strong performance for our shareholders, and a sustained focus on performance improvement.

PERFORMANCE

In 2013, we maintained our focus on quality as one of our key strategic priorities to ensure strong performance outcomes for our customers and improved value for our shareholders. We continued using quality measures company-wide that reflect the performance of our key programs against quality expectations across the program life cycle, including engineering, manufacturing, and supply chain.

We recognize that a holistic view of our quality performance, engaging all key stakeholders, drives successful performance outcomes for our customers. To identify and prioritize areas for continuous quality improvement, we implemented a rigorous self-assessment process at both the business-unit and corporate level. We also targeted quality improvement initiatives to enhance the value we deliver to our customers.

We continue to promote the relationship between the work of our individual employees and the success of our customers' critical missions. This is critical to sustained performance improvement and affordable global security solutions. We do this in part by instilling in our employees the concept that "Quality is Personal." From there, we encourage our employees to identify quality issues in their work and strive continuously to improve in those areas.

From time to time, as do all companies, we experience isolated, program-specific quality issues that do not meet the performance expectations of Northrop Grumman or our customers. To minimize the potential for quality issues, we focus on:

- Improving the connection between the work of the individual and quality outcomes for our customers
- Using a robust root-cause assessment process

OUR COMPANY

- Instilling a focus on quality early in a program life cycle to help avoid quality issues as programs mature
- Partnering with our suppliers to ensure a clear understanding of quality expectations and a speedy identification and resolution of quality problems

OUR ETHICS

Top Performance through Ethics, Integrity, and Compliance

At Northrop Grumman, we strive to deliver quality products and services, never losing sight of our commitment to ethics, integrity, and compliance. We have a comprehensive values-based culture that promotes a strong focus on ethics at every level throughout the company.

Internally, through regular communications, we set high expectations for ethical conduct for all our employees. We also stay apprised of regulatory changes and leading-edge ethical considerations, and deploy focused and timely training to our employees on critical ethics and compliance obligations. We continually reinforce our belief that ethics and integrity are integral to all we do.

Key Elements of Our Ethics and Compliance Program Include:

- Ongoing training and communication
- Comprehensive compliance policies and procedures
- Business conduct officers
- OpenLine
- Strong enforcement of our policy against retaliation

2013 Highlights

- Re-organized the ethics department to ensure common processes
- Focused on our global programs including appointing a manager of global integrity
- Launched a Culture Committee to look for common trends across functional areas and establish actions throughout the company
- Rolled out “Ethics Awareness Week” across the company, with more than 60 executive leaders championing more than 80 events to promote ethics awareness at 70 locations across the company

2013 Major Goals

GOAL

Maintain an effective and well-functioning ethics program.

PERFORMANCE

We conducted an internal review of our ethics program during 2013 and confirmed that it was effective and well-functioning.

GOAL

Train 100 percent of our employee population on ethics and compliance topics.

PERFORMANCE

Globally, more than 99 percent of Northrop Grumman employees completed our 2013 ethics and compliance training. We conduct various risk assessments throughout the year related to our ethics and compliance programs, which helps us provide our employees with compliance training tailored to the risks of their respective roles. Our compliance training spans a wide range of substantive areas.

In 2013, our employees received ethics and compliance training through in-person sessions, computer-based tutorials, and printed material. Training in 2013 included programs targeted to employee job responsibilities in the following critical areas:

During 2013, Northrop Grumman employees received ongoing ethics communications from managers and company leaders, including messages from Chairman, CEO and President Wes Bush highlighting our 2013 theme, “Ethics: The Foundation of Performance.”

- Global Trade Compliance
- Information Security
- Insider Trading
- Protecting Personal Information
- Preventing Workplace Violence
- Social Media

Employees also received “The High Road,” a company-wide ethics newsletter featuring articles about the Northrop Grumman OpenLine, business courtesies, secondary employment, retaliation, and human trafficking. The newsletter also reports and highlights our OpenLine statistics and aspects of corrective actions to provide transparency to our employees.

OUR COMPANY

Business Conduct Officers

To support our high ethical standards, we use a Business Conduct Officer (BCO) network. As of 2013, our BCO network consisted of approximately 125 full-time and part-time BCOs around the globe promoting ethics, answering management and employee questions, and elevating the ethics program at the site level.

Throughout the year, these officers conduct “meet-and-greet” events to raise the awareness of the ethics program. We encourage our employees to participate in a variety of onsite and online ethics awareness activities and contests to ensure our values are an integral part of our everyday behavior and culture.

Reporting Structure

The ethics office, led by the vice president of global corporate responsibility, reports quarterly to the Audit Committee of the Board of Directors and annually to the Policy Committee of the Board of Directors. To ensure the appropriate “tone from the top,” the corporate responsibility reporting chain includes the highest level of management of our company:



We organize workshops for both our U.S. and international BCOs. These workshops include sharing best practices, program updates, compliance and skill training, and networking. We hold a monthly webinar series to ensure our BCOs are knowledgeable of the latest developments on key topics such as quality, business courtesies, root cause analysis of ethics and compliance issues, and anti-corruption.

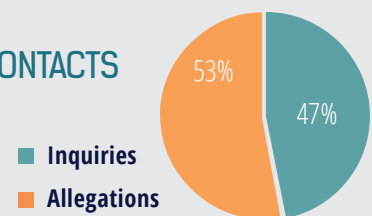
EMPLOYEE RESOURCES: 2013 OPENLINE CONTACTS

WHAT: Employees and third parties can seek guidance on ethics questions and report suspected violations of laws, regulations, or company policy by contacting, among others, a BCO, emailing or calling the ethics office, submitting a web report, or calling our toll-free OpenLine. OpenLine is administered by a third-party service provider to permit anonymous, 24/7 reporting. In addition, an online reporting system is available to employees along with OpenLine phone numbers in Europe and Asia.

HOW: The OpenLine system allows us to track calls by total number and type of contacts, by sector, by allegations (with and without merit), and by disciplinary action rendered. Reports and metrics provide trending data to help us target training and communications to employees to strengthen ethics. We publish ongoing results in our “The High Road” newsletter.

RESULT: We had a total of 2,332 OpenLine contacts in 2013, including 1,087 questions on policies and procedures, and 1,245 raising potential compliance and ethics concerns. We took various disciplinary actions including termination of 60 employees for their ethical and business conduct violations. The majority of the terminations were due to inaccurate time reporting; however, we also had a few terminations due to failure to comply with quality/manufacturing requirements and misuse of company resources. This data is limited to reports of allegations and concerns made through our OpenLine process.

2013 OPENLINE CONTACTS



2011-2013 Compared Data	2011	2012	2013	+/- from 2012
INQUIRIES	1,097	1,148	1,087	-5%
ALLEGATIONS	1,250	1,231	1,234	0%
TOTAL	2,347	2,379	2,332	-2%

Almost half of contacts are characterized as inquiries.

OUR COMPANY

Commitment

We are fully committed to complying with applicable anti-corruption laws in every country in which we operate. We maintain a zero tolerance for corruption.

At Northrop Grumman, we regularly evaluate the breadth and strength of our internal anti-corruption program. We assess our program and performance against standards and benchmarks set by the U.S. government in Foreign Corrupt Practices Act (FCPA) settlement actions, the U.S. Federal Sentencing Commission, the Organization for Economic Cooperation and Development, and the U.K. Ministry of Justice, among others.

Our company standards cover a wide variety of governance matters including internal policies and procedures; business risk assessments; business courtesy restrictions; due diligence of subcontractors, suppliers, and partners; training and communication; international controls enforcement, and continual process improvement.

A Step Above

Abiding by the applicable anti-corruption laws of the countries in which we operate, and adhering to internal policies and procedures, is only a starting point. We continue to work to promote a culture of ethical behavior that further reduces the risk of corrupt behavior.

Strong Foundation

We are active leaders and supporters of numerous initiatives and organizations with the primary purpose of elevating good corporate governance including:

- **DEFENSE INDUSTRY INITIATIVE (DII) ON BUSINESS ETHICS AND CONDUCT**
- **INTERNATIONAL FORUM FOR BUSINESS ETHICAL CONDUCT (IFBEC)**
- **TRACE INTERNATIONAL**
- **TRANSPARENCY INTERNATIONAL (USA)**

Wes Bush, chairman, CEO, and president, participated in a CEO panel at the 2013 Defense Industry Initiative Best Practices Forum, where he discussed the importance of ethics and integrity to an audience of more than 400 ethics professionals from the defense industry.



ENSURING COMPLIANCE: POLICIES, PROCEDURES, AND PRACTICE

We prohibit anyone conducting business on behalf of Northrop Grumman, including directors, officers, employees, consultants, representatives, distributors, suppliers, and other third parties, from offering or making any improper payments of money or anything of value to any of our business associates including government officials, political parties, party officials, candidates for public office, and commercial suppliers and customers.

We maintain a robust compliance program that includes an internal system of reviews and approvals governing the retention of third parties that support the company's business operations.

We prohibit facilitating payments such as those made to expedite or secure performance of a routine governmental action such as obtaining a visa or customs clearance, except in cases where there is an imminent threat to an individual's life, health, or safety.

We train our employees to avoid situations that would result in, or give the appearance of, a conflict between personal interests and the interests of the company. Employees are required to complete an annual conflict of interest disclosure form to ensure job performance is not improperly influenced by outside factors.

This report uses Global Reporting Initiative (GRI) "Performance Indicators" such as these to track and monitor performance. For full listing, see GRI Content Index on page 40.

OUR GOVERNANCE

The Board of Directors has adopted Principles of Corporate Governance that align with and reinforce our values and strong commitment to ethics and integrity. Our commitment ensures that integrity is at the center of all our actions, from our Board of Directors and company leaders to each employee on the line. You can find these principles in their entirety on our company website at www.northropgrumman.com. They also are available in print to shareholders by request.

2013 Major Goals

GOAL

Foster the long-term success of the company and promote the interests of stockholders through best-in-class corporate governance.

PERFORMANCE

The Board's commitment to its shareholders is evident in the area of corporate responsibility. We annually provide an overview of our corporate governance policies and procedures in our proxy statement, which is available to shareholders.

Our Principles of Corporate Governance reflect our company values and provide for effective and responsible business practices. These principles, along with our Certificate of Incorporation and Bylaws and charters of the various committees of the Board, provide an overall framework for the company's governance.

The day-to-day business and affairs of the company are conducted by our officers and employees under the direction of Chairman, CEO, and President Wes Bush with oversight by the Board.

Governance Overview

The Board periodically reviews the Principles of Corporate Governance to determine whether they should be modified in response to changed circumstances or legal or other requirements. Over the years, the Board has modified these principles and will continue to do so as appropriate to advance the interests of the company's shareholders.

Candidates for service on the Board are carefully evaluated on the basis of several factors, including personal and professional integrity, education, professional background, experience, willingness to apply for and retain a top-secret security clearance, and ability to contribute to the company's objectives. Although the Board does not have a formal policy regarding the diversity standards to be considered when evaluating director candidates, its objective is to foster diversity including of thought, experience, and contribution among our directors.

All Board members are expected to act with integrity and to maintain high ethical standards at all times. The company's Standards of Business Conduct apply to all directors.

One of the independent Board members has been designated as the lead independent director. In that role, the lead independent director presides at meetings of the Board at which the chairman of the Board is not present, including executive sessions of the independent directors. The lead independent director approves the Board calendar and meeting agendas, interviews candidates for the Board, and has authority to call meetings of the independent directors.

Each year the full Board and Board committees conduct an assessment of their performance. The lead independent director also talks with each director on an individual basis to assess director performance.

We act with INTEGRITY in all we do.

We are each personally accountable for the highest standards of behavior, including honesty and fairness in all aspects of our work.



S02-S08 STANDARDS OF BUSINESS CONDUCT



- In the United States and Asia we have an OpenLine operated by an independent third party that is available 24 hours a day, seven days a week. We investigate allegations of violations of law or company policy and, when allegations have merit, administer appropriate discipline including termination.
- We have always had a strong commitment to human rights, which is reflected in our business practices. In the last year, we adopted a formal Human Rights policy that highlights our commitment to treat employees, suppliers, customers, and competitors with dignity and respect and not tolerate discrimination, harassment, or retaliation. Additionally the policy covers freedom of association, fair working conditions, ethical procurement practices, health and safety of employees and business associates, protection of the environment, and the well-being of our communities.
- When we participate in the political process at the federal, state, and local level in the United States, we do so consistent with all legal requirements. We provide information regarding federal political contributions made by the Employees of Northrop Grumman Political Action Committee (ENGPAC), our policy regarding independent political expenditures, and our trade association memberships on the Northrop Grumman website, where information is quickly and easily accessible to our shareholders and the public.
- As reported on the Northrop Grumman website, the ENGPAC contributed \$2,139,250 to federal elections in calendar year 2013 and supported 311 candidates either through their re-election campaign, Leadership PAC, or both. All of ENGPAC's contributions to political parties, political candidates, and related institutions were made within the United States.
- We disclose material litigation, investigations, and penalties for noncompliance with laws and regulations as appropriate in our public filings.

This report uses Global Reporting Initiative (GRI) "Performance Indicators" such as these to track and monitor performance. For full listing, see GRI Content Index on page 40.

CONTACT US

Interested parties may communicate with any of our directors by writing to them:

c/o Secretary of the Corporation
2980 Fairview Park Drive
Falls Church, VA 22042

Board of Directors 2013

In September 2013, the Board elected William Hernandez to the Board of Directors, which increased the Board to 13 members. As of Dec. 31, 2013, 12 of the 13 Board members were independent, non-employee directors. As of Dec. 31, 2013, 31 percent of the Northrop Grumman Board is made up of women and people of color.

The directors are:



Wes Bush

Chairman, Chief Executive Officer, and President,
Northrop Grumman



Victor H. Fazio

Senior Advisor, Akin Gump Strauss Hauer & Feld LLP
Former Member of Congress



Donald E. Felsing

Lead Independent Director, Northrop Grumman,
Former Chairman and Chief Executive Officer, Sempra Energy



Stephen E. Frank

Former Chairman, President and
Chief Executive Officer, Southern California Edison



Bruce S. Gordon

Former President and CEO, NAACP and Former President, Retail
Markets Group, Verizon Communications



William H. Hernandez

Former Senior Vice President and Chief Financial Officer, PPG
Industries, Inc.



Madeleine A. Kleiner

Former Executive Vice President and General Counsel, Hilton
Hotels Corporation



Karl J. Krapek

Former President and Chief Operating Officer,
United Technologies Corporation



Richard B. Myers

General, United States Air Force (Ret.) and
Former Chairman of the Joint Chiefs of Staff



Aulana L. Peters

Former Partner,
Gibson, Dunn & Crutcher



Gary Roughead

Admiral, United States Navy (Ret.)
and Former Chief of Naval Operations



Thomas M. Schoewe

Former Executive Vice President and Chief Financial Officer,
Wal-Mart Stores, Inc.



Kevin W. Sharer

Senior Lecturer at Harvard Business School
Former Chairman and Chief Executive Officer, Amgen

DIRECTOR INDEPENDENCE:

The Board has established an objective that at least 75 percent of the directors be independent directors as defined by the NYSE rules and the company's principles of corporate governance. As of Dec. 31, 2013, the Board of Directors is approximately 92 percent independent.

BOARD PROTOCOL:

The Board of Directors has approved Principles of Corporate Governance, which are aligned with and support the company's values. The Board of Directors reviews the governance principles and seeks ways to enhance the principles based on evolving circumstances. The Principles of Corporate Governance were revised on May 15, 2013, and are posted on Northrop Grumman's website.

This report uses Global Reporting Initiative (GRI) "Performance Indicators" such as these to track and monitor performance. For full listing, see GRI Content Index on page 40.



OUR OPERATIONS IN FOCUS

DIVERSITY AND INCLUSION

At Northrop Grumman, we believe that creating a workplace that fosters diversity and inclusion is pivotal to innovation, improving productivity, enhancing engagement, and boosting profitability. Among our more than 65,000 employees, our goal is to achieve a talent base of individuals whose backgrounds, characteristics, and perspectives are as diverse as the global communities in which we work and reside. Our collective diversity — culture, background, experience, thoughts, ideas, and work styles — allows us to design, build, and provide some of the most sophisticated products and services in our industry and for our customers.

Our employees are our greatest assets. Every success at Northrop Grumman is the direct result of an amazing group of people. Our Global Diversity and Inclusion organization is committed to enhancing that foundation of excellence, driving awareness of the value of inclusion and promoting the integral role of every individual. We demonstrate our commitment to the future through internal partnerships designed to build a pipeline of talent, from entry-level to executive leadership.

To that end, we continue to develop affiliations with various diversity organizations including the National Society of Black Engineers, Society of Hispanic Professional Engineers, Society of Women Engineers, American Indian Science and Engineering Society, and other diversity-based professional associations including those for people with disabilities, veterans, and lesbian/gay/bisexual/transgender (LGBT) individuals. We continue to recruit talented individuals through our relationships with leading educational institutions and associations. Through these relationships, we hire college graduates who reflect the diversity of college and university students nationally. Half of our college new hires in the past four years have been women or people of color.

OUR OPERATIONS

2013 Highlights

Diversity, Inclusion, and Engagement

Our second Employee Resource Group Summit and Diversity and Inclusion Leadership Conference was held in September in Chantilly, Virginia. This year's theme of "Diversity, Inclusion and Engagement: Our Path to Innovation" provided more than 200 employees an opportunity to hear from nationally known experts about how to increase and develop memberships in employee resource groups and expand on best practices across the organization.

Employee Resource Groups Shine Bright

Our employee resource groups are committed to providing their members the opportunity to develop and build leadership skills, raise awareness, educate others, and give back to the communities in which we work and live.

Each year, the various employee resource groups celebrate and provide cultural awareness in the form of heritage month events. With more than 11 events across the country, they highlight various cultures and populations including Native Americans, veterans, and disabled employees. At these heritage events, we provide support through employee resource group activities, company-wide webcasts, and live audience opportunities.

One of our employee resource groups, PrIDA, our LGBT and allies group, was instrumental in improving the effectiveness of company policies and enhancing our diversity and inclusion efforts by assisting with a new program that allows employees to voluntarily and confidentially self-identify as a member of this population.

Professional development of members is part of the mission of each employee resource group. To that end, we created a Professional Development Series, which provides employee-designed and led sessions that assist participants with exploring career skills. These include critical thinking, executive presence, and functional and domain competencies.



2013 SNAPSHOT: EMPLOYEE RESOURCE GROUPS

In 2013, more than 14,000 Northrop Grumman employees engaged in 14 Employee Resource Groups in 173 chapters across the company, including those representing African Americans, Asian Pacific Islanders, Hispanics, Native Americans, women, people with disabilities, veterans, LGBT employees, young professionals, parents, generations, and environmentalists. All employees are welcome to join any groups of their choosing.

The mission: To assimilate and develop employees, by creating a sense of belonging, as well as inviting employees to bring their whole self to work, creating a more innovative and productive workforce. By providing development opportunities, leading community outreach efforts and contributing to solving today's business problems, employees feel more engaged and valued by their peers and managers.

An executive sponsor champions each group by providing advice and guidance to members. Employees get the opportunity to work alongside executives that provide visibility, leadership, and professional development opportunities.

Our people with disabilities and veterans groups have been instrumental in assisting Northrop Grumman to prepare for new governmental regulations on the hiring, employment, and retention of individuals from these populations. The development of training programs for managers and employees alike encourages education and awareness.

OUR OPERATIONS IN FOCUS

OUR DIVERSITY COMMITMENT DATA AS OF AUGUST 2013

JOB CATEGORY	TOTAL	% MEN	% WOMEN	% WHITE	% BLACK/AFRICAN AMERICAN	% HISPANIC/LATINO	% ASIAN	% OTHER
Exec/Senior Level Officials and Managers	208	74.52%	25.48%	85.10%	5.29%	2.88%	5.77%	.96%
First/Mid Level Officials and Managers	10,694	77.14%	22.86%	81.05%	5.67%	4.96%	6.86%	1.46%
Professionals	38,736	73.32%	26.68%	71.41%	7.31%	6.53%	12.49%	2.27%
Technicians	5,492	83.83%	16.17%	64.68%	10.18%	12.18%	10.36%	2.60%
Administrative	4,462	32.70%	67.30%	66.36%	14.30%	12.03%	4.24%	3.07%
Craft Workers	4,104	91.74%	8.26%	61.28%	12.45%	18.88%	5.07%	2.32%
Operatives	1,648	68.02%	31.98%	52.97%	14.81%	14.75%	13.83%	3.64%
Laborers	182	74.73%	25.27%	41.21%	12.09%	37.36%	1.10%	8.24%
Service Workers	344	75.00%	25.00%	51.16%	24.71%	17.73%	3.78%	2.62%
TOTAL WORKFORCE	65,870	73.09%	26.91%	70.83%	8.36%	8.23%	10.31%	2.27%

2013 Major Goals

GOAL

Create a diverse pipeline of talented professionals for senior leadership positions.

PERFORMANCE

In 2013, we made several organizational changes that highlighted our top talent. We achieved greater diversity in company officers and executive-level appointments, along with creating an enterprise Talent Capture and Redeployment organization, which will identify and promote high-potential candidates including women and people of color. We expanded the slate of diverse interview candidates by including middle management positions. In addition, we established a Global Diversity and Inclusion organization to provide synergy and leverage best practices across the organization. Our various programs develop top talent by providing mentoring, coaching, and leadership skills that focus on building a diverse pipeline for the future.

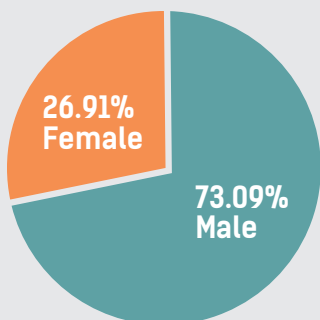
GOAL

Improve the representation of the company's women, people of color, veterans, and people with disabilities.

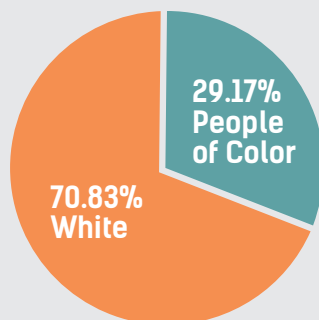
PERFORMANCE

The 2013 workforce comprised 27 percent women and 29 percent people of color. We monitor our workforce representation and compare ourselves to external benchmarks. In 2014, our veterans, people with disabilities and LGBT self-identification program will be analyzed to determine the effectiveness of initiatives implemented within our organization.

GENDER



RACE



2013 Diversity Highlights

- Voted Most Valuable Employer (military) by *Civilian Jobs.com* and Top 40 Military Friendly Employer by *G.I. Jobs*.
- Ranked #29 among Top 50 Companies in Diversity by *DiversityInc. Magazine*.
- Voted Private Sector Employer of the Year by *Careers & the Disabled Magazine*.
- Voted Top Company for Employee Resource Groups by the National ERG Conference.

OUR OPERATIONS IN FOCUS

Our Formal EEO/AAP Policy

At Northrop Grumman, a strong commitment to diversity and inclusion is founded in written policies and procedures that mandate a nondiscriminatory workplace supported by senior leadership. We adhere to Equal Employment Opportunity (EEO) and Affirmative Action (AA) principles and policies, and build them into our operations across the company. We publish annual Affirmative Action plans that document specific actions to improve the representation of minorities and women and to integrate veterans and people with disabilities.

These Affirmative Action plans reflect our commitment to ensuring equal employment opportunities for qualified applicants and employees without regard to race, color, religion, sex, or national origin/ancestry. We adhere to a policy of nondiscrimination and no harassment consistent with applicable, federal, state, and local laws, including race/ethnicity, color, national origin, ancestry, sex/gender, gender identity/expression, sexual orientation, marital/parental status, pregnancy/childbirth or related conditions, religion, creed, age, disability, genetic information, military service/veteran status, disabled veteran, recently separated veteran, other protected veteran, Armed Forces service medal veteran, or any other protected status. This includes the commitment to maintain a working environment free from harassment and bullying.

GRI

LA1-LA5, LA10-12, HR1, HR3-5, HR8

Human rights including labor and management relations, nondiscrimination, training and education, security, and indigenous rights

At Northrop Grumman, developing our people goes beyond fulfilling a strategic priority — our values-based focus provides the framework to help each individual employee maximize his or her potential. Diversity and inclusion are fundamental for our business, and we take pride in recognizing that each individual's development needs are unique.

Employment: Our employees who are regularly scheduled to work 20 or more hours per week are eligible for health and welfare benefits under the Northrop Grumman Health Plan. Qualified full-time and part-time employees are eligible for the 401(k) plan and pension plan. Temporary employees on the Northrop Grumman payroll are generally eligible only for savings benefits.

Agency Complaints: In 2013, Northrop Grumman received 48 new external agency complaints of discrimination across the company. We investigate all such complaints and take appropriate action. Of these complaints, 19 were closed and 29 are still open/pending.

Performance Reviews: As of 2013, 80 percent or more of Northrop Grumman's employees receive a performance and career development review every 12 to 15 months. Based on scheduling, these reviews may not occur within each calendar year for every employee.

Human Rights Training: Each year, our employees collectively receive thousands of hours of training covering a variety of topics. Training on our Standards of Business Conduct emphasizes our culture, integrity, ethical behavior, and treating all people fairly and with respect and dignity.

Collective Bargaining: Currently approximately 5 percent of Northrop Grumman employees are covered by collective bargaining agreements. There are no Northrop Grumman operations where employees are at risk of not being able to exercise freedom of association and collective bargaining.

Security: All Northrop Grumman security personnel receive comprehensive training on our policies and procedures and "Standards of Business Conduct."

This report uses Global Reporting Initiative (GRI) "Performance Indicators" such as these to track and monitor performance. For full listing, see GRI Content Index on page 40.

OUR OPERATIONS

SUPPLIER RESPONSIBILITY AND DIVERSITY

In 2013, we issued approximately \$8.4 billion worth of subcontracts and purchase orders to a broad base of approximately 9,500 suppliers. Collaborating with suppliers on better environmental and socially responsible performance is an important element of our responsibility efforts. A key starting point is the “One Northrop Grumman” charter we instill throughout the company and the procurement organization. The goal: to establish a single, consistent operational focus promoting best practices in environmental control and sustainability with the supplier base and customers. Our Online Automated Supplier Information System (OASIS) supplier portal provides instant access to our supplier terms and conditions and other important considerations in doing business with Northrop Grumman.

Suppliers to our company are valued team members and each one is expected to understand the need for top performance — not only in quality, schedule, and cost — but in all areas, including diversity, occupational health and safety, human rights and labor, and environmental responsibility. Northrop Grumman suppliers receive an annual letter outlining our ethics policies and code of conduct.

Ensuring High Standards

Our vision is to be the most trusted, world-class, innovative supply-chain organization that delivers value to our customers through integration of highly skilled people, suppliers, processes, tools, and communications.

Additionally, to ensure these goals are not attained at the expense of ethics and integrity, our employees with procurement authority are required to annually complete additional specialized ethics training and complete the Disclosure of Conflicts of Interest Certificate of Standards of Business Conduct certifying compliance and disclosing possible conflicts of interest.

2013 Highlights

In 2013, we awarded \$8.4 billion to approximately 9,500 suppliers. We used local small businesses within the communities surrounding our operating facilities, whenever possible. More than 36 percent of Northrop Grumman procurement spending goes to small businesses and women or minority-owned businesses.

U. S. Government Mentor-Protégé Program

We managed 14 Mentor-Protégé agreements and subcontracted \$13.2 million to these protégé organizations during 2013. Since the inception of the Mentor-Protégé Program, Northrop Grumman representatives have mentored more than 120 small business firms. Northrop Grumman has won 22 Department of

2013 SNAPSHOT: DEPARTMENT OF DEFENSE MENTOR-PROTÉGÉ PROGRAM

This program encourages major DoD prime contractors to develop the technical and business capabilities of organizations:

- Employing severely disabled employees
- Owned by Minorities, Women, Service-Disabled, and Veterans
- Located in historically underutilized business zones

The Nunn-Perry Award is named in honor of retired U.S. Senator Sam Nunn, who sponsored legislation to enact the Mentor-Protégé Program in 1991, and former Secretary of Defense William Perry. Nunn-Perry awards are the highest honor prime contractors can receive for participation in the program. Northrop Grumman received two Nunn-Perry awards in 2013.

Defense (DoD) Nunn-Perry awards, the most awards of any prime contractor, and has entered into DoD's first Credit Mentor-Protégé Agreement with MVLE, an AbilityOne service provider.

Of the seven prestigious Nunn-Perry Awards for 2013, we received two. One of them acknowledged the Mentor-Protégé relationship between Northrop Grumman and MVLE Inc., the first and only AbilityOne organization to participate in the DoD Mentor-Protégé Program.

The AbilityOne Program is administered by the Committee for Purchase For People Who Are Blind Or Severely Disabled. The AbilityOne Program enables people who are blind or severely disabled job training and employment opportunities in manufacturing and services for the federal government and industries.

AbilityOne is the single largest source of employment for people who are blind or have other significant disabilities and currently provides employment opportunities to nearly 50,000 people nationwide.

OUR OPERATIONS IN FOCUS

Northrop Grumman also received a Nunn-Perry award for its Mentor-Protégé relationship with Kimmich Software Systems, Inc., which provides engineering services to the intelligence community.

Small Business Innovation Research (SBIR)

The SBIR program is the only Small Business Administration (SBA) program set aside to engage small businesses in federal Research and Development (R&D) with potential for commercialization. The SBIR program is a three-phase process of transitioning new small-business technology from proof of concept to commercialization within the government platforms. The main objective of this program is to stimulate technological innovation, use small businesses to meet federal R&D needs, foster and encourage participation by minorities and disadvantaged businesses in technological innovation, and increase private-sector commercialization innovations derived from federal R&D. We continue to move forward with our SBIR program. Technical lead employees at each Northrop Grumman sector use the program to augment the company's technical and scientific expertise. The teams consist of a technical point of contact, supply chain manager, and a small business liaison officer who collectively work to identify, interview, and provide subcontracting opportunities to SBIR firms. Ultimately, the SBIR program provides funding to small business firms to assist them in bringing game-changing technologies to market.



We currently monitor Small Business Innovation Research support from each of our business sectors by tracking an estimated 31 firms involved in Phase I, II, and III.

2013 marks the third consecutive year that we hosted the Joint Department of Defense Industry Small Business Innovation Research/Commercialization Readiness Program technology interchange workshop. Air Force and Navy representatives invited SBIR firms for one-on-one meetings with Northrop Grumman subject matter experts at an interchange workshop at a Northrop Grumman facility. As with prior workshops, the Air Force and Navy Transition Support Program provided the data mining search tool to identify small businesses with Phase II SBIR projects with potential for government platforms.

Indian Incentive Program

The Indian Incentive Program falls under the Department of Defense Office of Small Business Programs, which incentivizes prime contractors by providing opportunities to contract and subcontract with Native American Indian/Alaskan and Hawaiian tribal organizations. The incentive payment is returned to Northrop Grumman under a separate contract line item in the contract. We have participated in the DoD Indian Incentive Program since 1998, generating an estimated \$5 million in incentive rebates. We continue to track \$405,539 in incentive rebates submitted to Department of Defense during fiscal year 2013.

2013 Major Goals

GOAL

Improve the performance of the largest and most critical suppliers to Northrop Grumman.

The set of criteria defining "most critical suppliers" is dynamic and reflects the business needs of our various sectors. Given this, we established a flexible, tiered methodology that results in corporate and sector leadership engagement with our most critical suppliers at all organizational levels. Each critical supplier undergoes a semiannual performance evaluation. We continue to use the industry-standard cost performance index, the schedule performance index, and various qualitative measures to track program performance.

PERFORMANCE

For 2013, we evaluated the cost, schedule, quality, and overall program performance of our top 11 suppliers who supported programs on more than 260 subcontracts with a value of more than \$7.5 billion. In 2013 strategic supplier performance continued the trend, improving by nearly 16 percent year-over-year since 2008. For those critical suppliers with lagging performance, we initiated a process to correct problems and implement joint improvement initiatives.

OUR OPERATIONS IN FOCUS

Risk Management

Our customers have expressed awareness and concern regarding the defense industrial supply base resilience in light of the defense market constraints and the economic environment. The supply chain could be vulnerable in times of budget reductions with a potential impact on small businesses. Being sensitive to the financial stresses of small businesses in the current economic environment, in 2013 we continued to monitor the financial risk of those most vulnerable to catastrophic financial impact and to consider an array of mitigation measures. To address concerns and potential vulnerabilities, we are vigilant in our compliance to corporate procedures governing Northrop Grumman supplier risk identification, management, and mitigation. We are monitoring the approximately 9,500 firms that serve as Northrop Grumman suppliers to understand the health of our supply base.

As part of our corporate risk analysis process, we maintain a supplier watch list addressing supplier financial health risk. We seek to manage supplier performance with a robust improvement process and risk mitigation exchange with suppliers. Increasingly, past performance by a supplier is an important element in sourcing decisions with added consideration given to outstanding performing suppliers.

We systematically monitor critical supplier risk with particular focus on the risks associated from single-source, small, and foreign businesses that may be more vulnerable to program performance deficiencies.

Our Northrop Grumman Corporate “counterfeit material prevention” policy prescribes preventive measures, training, communication, counterfeit alert management, and procedures for comprehensive material assurance. Our Enterprise Material Authenticity team, chartered by our Corporate Quality Council and comprising members from quality, engineering, supply chain, contracts, and the law department, takes the lead on counterfeit parts protection efforts. This level of focus strengthens practices across the company to mitigate risk.

Supply Chain Diversity

We participate with and sponsor industry, customer, academic, and various other organizational activities that support the growth and development of the small-business community. To that end, we seek collaboration with select universities through Small Business Innovation Research and Small Business Technology Transfer programs.

To further enhance opportunities with various minority organizations, we actively support, through our participation as a board member, Advancing Minorities Interest (MI) in Engineering, which consists of the schools of engineering at 14 ABET*-accredited Historically Black Colleges and Universities (HBCU)/MIs. (*ABET

is a nonprofit and non-government accrediting agency for academic programs in applied science, computing, engineering, and technology.)

We have provided an estimated \$50,000, collectively, to these universities in support of technical research projects. In addition, we support the annual Fayetteville State HBCUs technical challenge convened by deans and professors from various HBCUs. We also contributed \$5,000 to the Minority On-Line Information Service (MOLIS), which supports some 268 minority institutions. The service allows institutions to update and provide relevant information on university capabilities for use by personnel at government agencies and private-sector companies.

During the 2013 White House conference celebrating National Historically Black Colleges and Universities Week in Washington, D.C., Northrop Grumman was an event sponsor with employee presenters awarding \$10,000 scholarships to two students participating in the “105 Voices of History” choir performance at the Andrew Mellon Stage, and an additional \$1,000 in scholarships to students competing at the Washington National Opera. This choir consists of one student from each of 105 HBCUs throughout the United States.

We support national diversity trade associations by sponsoring targeted outreach to suppliers of all sizes through:

- AbilityOne (nonprofit agencies that employ the physically challenged)
- Asian Business Association
- Black Business Association
- Capital Area Gay and Lesbian Chamber of Commerce
- Latin Business Association
- National Association of Women Business Owners
- National Center for American Indian Enterprise Development
- United States Hispanic Chamber of Commerce
- U.S. Department of Veterans Affairs Center for Veterans Enterprise

At Northrop Grumman, our procurement employees’ commitment to ethical conduct is demonstrated by :

- Annually reviewing the procurement integrity policy and signing a certification specifying that they will not accept supplier gifts, bribes, or kickbacks.
- Identifying any conflicts of interest with current and potential suppliers.
- Performing due diligence assessing whether suppliers or potential suppliers have been debarred or suspended.

OUR OPERATIONS

Northrop Grumman employees participate on the boards of advisors of several universities.

The Northrop Grumman Socio-Economic Business Programs office acts as the liaison with small and disadvantaged business owners interested in working with Northrop Grumman. We have received national recognition for our efforts to increase the number of successful minority and women-owned subcontractors by providing outreach and mentorship.

Integrated Value Network Strategy

We further defined the integrated supply chain strategy, during 2013, as an integrated value network. Companywide “value networks” provide a competitive advantage by fostering sustained, robust competition for commodity items and other materials and services. Trusted supplier relationships develop technology hybridization, innovation, and customization to meet customer needs. Although not specifically identified as such, the journey to this model began as early as 2004 and continues with the strategic vision of a Northrop Grumman Value Network fully developed by 2017.



GRI

EC6, HR1-2, HR6, HR7, HR9

Local sourcing and human rights including child/forced labor and indigenous rights

- Northrop Grumman standard terms and conditions require compliance with the Fair Labor Standards Act of 1938 (29 U.S. Code 201-219), as amended, and are consistent with the regulations and orders of the United States Department of Labor under Section 14.
- We established an organized approach to addressing the compliance requirements of Section 1502 of the Dodd-Frank Act, “Conflict Minerals.” We are on track to meet the due diligence and reporting requirements of the act.

We are committed to the responsible sourcing of minerals through our global supply chain. We are committed to complying with the Dodd-Frank disclosure requirements.

- Northrop Grumman has an integrated global supply chain. Each program and procurement uses its best effort to source from customer countries and regions.
- Each of our approximately 9,500 suppliers is sent an annual letter stating, “Strict adherence to ethical practices is a Northrop Grumman priority and is an essential element of all of our supplier relationships.” The letter links the supplier to the Northrop Grumman associate values ethics and conduct brochure, which outlines our values and company standards for ethical behavior for employees and suppliers alike.

Our company standards apply to anyone who represents Northrop Grumman. Violating rules relating to our relationships with the U.S. government or to our commercial customers may result in serious consequences up to and including termination of one’s relationship with the company.

Further, we will not knowingly do business with suppliers that engage in human rights violations or use child or forced labor.

This report uses Global Reporting Initiative (GRI) “Performance Indicators” such as these to track and monitor performance. For full listing, see GRI Content Index on page 40.

OUR OPERATIONS IN FOCUS

ENVIRONMENTAL, HEALTH, AND SAFETY

We are committed to protecting our environment as well as our employees, customers, and people in the communities in which we operate. Our objectives are simple: to provide a safe and productive work environment, ensure environmental compliance, and integrate environmental sustainability into the way we do business.

Policy

It is our policy to conduct our operations in a manner that protects the health and safety of our employees, contractors, visitors, and the community in a manner that is environmentally responsible and in accordance with all applicable laws and regulations. To fulfill this policy, we strive to:

- Provide a safe and productive work environment while minimizing environmental impact.
- Develop and implement management systems to mitigate potential environmental, and health and safety (EHS) risks.
- Integrate EHS and environmental sustainability requirements into planning, design, procurement, manufacturing, and internal management activities throughout the company.
- Make continuous improvement in what we do, and how we do it, a top priority.
- Drive performance through continual improvement.

Leadership

To guide and oversee the company's EHS programs, we rely on the EHS Leadership Council, which comprises senior leaders from the corporate office and each operating sector. The EHS Leadership Council develops EHS and environmental sustainability strategies, goals, and plans; promotes efficiencies through best practice sharing; monitors and reports on EHS and environmental sustainability performance; advances management ownership of these efforts at all levels; engages employees in EHS and environmental sustainability programs; and develops and implements programs that support compliance and continual improvement.

We believe so strongly in these areas of performance that two safety and three environmental sustainability metrics are included in our company's performance scorecard:

Safety:

- Total case rate (TCR)
- Lost work day rate (LWDR)

Environmental:

- Greenhouse gas (GHG) emissions reduction/avoidance
- Solid waste reduction best management practices implementation
- Water conservation best management practices implementation

These non-financial metrics impact overall corporate performance metrics, which receive visibility at the highest levels within the company.

2013 Highlights

Achieved our greenhouse gas reduction goal two years ahead of plan by reducing GHG emissions 25.3 percent, normalized to sales, from our 2008 base year through year-end 2012. This reduction performance equals a 26.9 percent absolute reduction in GHG emissions.

Named to the Carbon Disclosure Leadership Index and Carbon Performance Leadership Index by CDP (formerly the Carbon Disclosure Project) for leadership in climate change management, strategy, transparency, and performance. Our disclosure score of 99 out of 100 and "A" performance (the highest attainable) earned us distinction as a leader in the S&P 500 industrials category, with top performance among global aerospace and defense industry companies.

Received "Reasonable Assurance" for our 2012 and 2013 Scope 1 and Scope 2 greenhouse gas inventories, providing four consecutive years of third-party verified GHG data by Lloyd's Register Quality Assurance (LRQA). Reasonable assurance is the highest level of assurance in accordance with the ISO 14064-3 Greenhouse Gas Accounting and Verification standard.

Received "Limited Assurance" for our 2012 and 2013 Business Travel greenhouse gas inventory, via third-party verification conducted by LRQA. We are first in our industry to conduct third-party verification for a category of Scope 3 Business Travel emissions. Limited assurance reflects assurance in accordance with the ISO 14064-3 Greenhouse Gas Accounting and Verification standard.

Received the 2012 Chief of Naval Operations (CNO) Environmental Award (recognized in March 2013) for the Northrop Grumman-NAVAIR program's sustainability efforts, including hazardous materials substitutions, energy efficiency initiatives, material waste reductions, and manufacturing facility energy consumption. This was the second CNO Environmental Award for the program team.

OUR OPERATIONS

EHS Operations: Compliance and Management

We have diverse operations with a range of materials and equipment. Our wide network of EHS professionals provides guidance and support to ensure the safety and health of our employees and care for the environment.

Through written program guidance and procedures, training, periodic self-inspections, audits, and regulatory updates, our EHS professionals support and guide business programs and processes and EHS compliance across the company, with responsibilities that include monitoring and implementing regulatory requirements and identifying and completing corrective actions. To facilitate efficient and effective management of applicable compliance requirements, we also implement EHS management systems.

We conduct periodic audits of our operations to confirm we are performing at or above the required EHS standards. In addition, many of our sites have safety observers who participate in site safety committees and act as the “eyes and ears” for EHS compliance and safe working conditions throughout their facilities.

The EHS Audit Process

Our EHS professionals conduct audits on a regular basis and promptly and systematically address deficiencies identified. We use the audits to share innovative and proven best practices across the company.

Each audited site receives a score (100 is the best) based on the effectiveness of the management system. Additionally, we make an assessment of the degree to which all EHS program elements are being implemented at the site level. The overall assessment rating of each site, with corresponding color rating, is based on the following scale:

GREEN: satisfactory program

YELLOW: marginal program

RED: unsatisfactory program

GOAL

To achieve a minimum of 90 (out of 100) average score for completeness and implementation of management systems at audited sites.

The purpose of the audit process is to assess compliance against EHS requirements and our management systems criteria. We audit approximately one-third of our qualifying sites each year, a process that drives continual improvement through the prompt and systematic review and correction of deficiencies and opportunities for improvement as well as sharing of successful best practices.

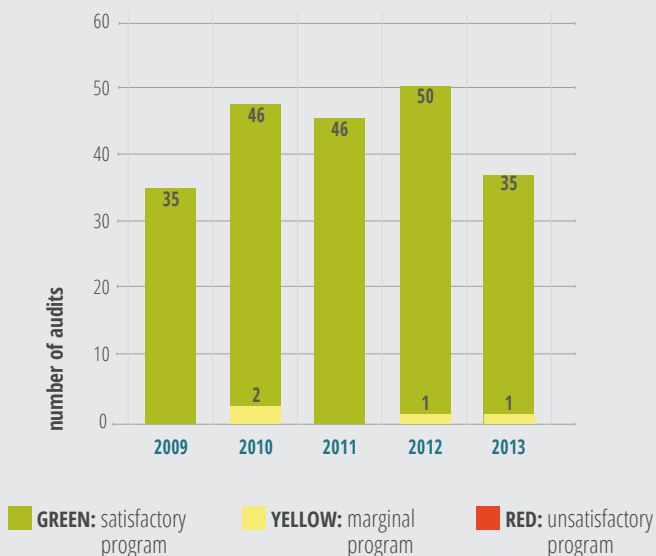
For added assurance, we have a process to review our audit program and policies. In 2013, we updated our EHS audit protocol after careful review of past performance and identification of opportunities for improvement.

At the conclusion of each audit, we implement and track a corrective action plan based on audit findings and recommendations. Sites receiving an overall rating of yellow or red are re-audited the following year to ensure program deficiencies have been corrected. We communicate audit results and corrective actions from the site management group to company executive management. In addition, our corporate internal audit program provides an objective evaluation of our performance.

PERFORMANCE

As part of the audit process, we evaluate and score each site on management systems maturity, with 100 percent being the highest achievable score. In 2013, our overall score was 92.3 percent.

2009–2013 Environmental, Health, and Safety Audit Results



Each audited site receives a color rating based on the effectiveness of the management system, and compliance with applicable requirements.

2013 AWARDS

Preferred Business Award: Recognition of the outstanding contribution to the recycling, recovery, and reuse of materials (Charlottesville, Virginia).

Energy Preservation Award: Environmental leadership in energy management (Irwindale, California Chamber of Commerce).

Pollution Prevention Award: Pollution prevention activities, including our inline cleaner equipment upgrade that resulted in a 50 percent savings in wastewater and chemical usage, and a 45 percent reductions in energy usage (Utah Department of Environmental Quality Pollution Prevention Association).

Air Pollution Control Achievement Award: Air Quality Education: For awareness bulletins to educate employees about opportunities to save energy at home and work, and reduce gasoline consumption and automotive evaporative and exhaust emissions (City of Huntsville, Alabama Air Pollution Control Board).

2012 Leader in Sustainability Award (awarded March 2014): For commitment to recycling batteries and cellphones (Call2Recycle® North America).

The Regulatory Review Process

Like many businesses, ours is subject to review and audit by regulatory agencies and other authorities including federal, state, and local EHS agencies, and building inspectors and fire marshals. These reviews by external organizations provide an important perspective of operational compliance and effectiveness of our programs and procedures.

In 2013, EHS regulatory agency representatives visited or contacted Northrop Grumman sites 168 times, with 12 EHS related enforcement actions. None of these enforcement actions resulted in significant fines.

ISO 14001 Environmental Management Systems

We encourage conformance to the International Organization for Standardization

(ISO) 14001 registration for Environmental Management Systems. Attaining and maintaining this designation is representative of our commitment to environmental management and continual improvement.

In 2013, our Park Air operations in Peterborough, U.K., received its ISO 14001 certification, and 10 additional facilities successfully renewed their ISO 14001 certifications. The ISO 14001 certification is achieved through third-party verification that effective environmental management systems have been implemented and corrective action and improvement measures are evident at each site.

Occupational Health and Safety

Protecting employee health and safety is paramount to our mission and performance. We continue to emphasize and invest in programs and enhancements to reduce the number and severity of injuries and illnesses. We take accident prevention seriously. Since 2010, safety performance has been incorporated into corporate performance metrics.

GOAL

To ensure a safe and healthy workplace for our employees and visitors through injury and illness prevention. We also strive to provide employees with the tools and resources to take ownership of their safety in their day-to-day activities.

We monitor and report the following indicators to evaluate the effectiveness of our occupational health and safety program:

- **TOTAL CASE RATE (TCR):** The total number of OSHA (Occupational Safety and Health Administration)-recordable occupational injuries and illnesses: i.e., cases requiring medical treatment beyond first aid, per 100 full-time workers.

Number of ISO 14001-Certified Sites

2000	2	2005	9	2010	22
2001	2	2006	11	2011	22
2002	4	2007	13	2012	23
2003	5	2008	20	2013	23
2004	8	2009	20		

The number of ISO 14001-certified sites remained the same from 2012 to 2013, due to the addition of our Peterborough, U.K. site and closure of a separate U.K. site.

GRI

OUR OPERATIONS

- **LOST WORK DAY RATE (LWDR):** The total number of lost work days per 100 full-time workers.
- **DAYS AWAY CASE RATE (DACR):** The total number of cases, per 100 full-time workers, that resulted in lost or restricted days or job transfer due to work-related illnesses or injuries. Used in conjunction with TCR and LWDR, DACR aids in identifying the severity of workplace injuries and illnesses.

Addressing an Opportunity for Improvement

In 2013, we launched extensive “slips, trips, and falls” awareness campaigns across the company in response to the need for improved injury prevention. The emphasis on injury prevention supports our overall efforts to keep employees healthy and at work, which helps us reduce our incident rate.

Employee awareness initiatives alerted employees to common causes of slips, trips, and falls, including walking while texting, weather-related slip hazards, and trip hazards in the workplace.

In support of employee health and wellness, we implemented the following fitness initiatives across the company:

Step into 2013 Program: “Burn Calories Not Electricity” is an eight-week fitness program encouraging employees to take the stairs. More than 280 employees participated in the program, choosing stairs over elevators.

RESULTS: Employees climbed more than 100,000 flights of stairs, burning more than 5 million calories while saving an estimated 519 kWh of electricity, equivalent to approximately 0.5 metric tons of carbon dioxide equivalent (MTCO_{2e}) emissions.

Better Breakfast Club: In response to the 2012 “Live Well” employee survey, body weight was identified as a top risk factor for employees, and a top-ranked behavior they were ready to change. The program provided weekly educational newsletters with nutritional tips for employees to build a healthy habit of eating breakfast daily, emphasizing protein, whole grains, fruits, and dairy.

RESULTS: After the eight-week program, 27 percent of program participants had reduced body mass index, 30 percent had lowered blood pressure, 88 percent reported high energy, and 90 percent were eating breakfast every day.

LA7: Total Case Rate, Lost Work Day Rate, Days Away Case Rate

	2012	2013	Change
Total Case Rate (TCR)	0.97	0.99	2.1%
Lost Work Day Rate (LWDR)	14.61	14.05	-3.8%
Days Away Case Rate (DACR)	0.30	0.28	-9.7%

This report uses Global Reporting Initiative (GRI) “Performance Indicators” such as this to track and monitor performance. For full listing, see GRI Content Index on page 40.

LA8: SAFETY STEWARDSHIP

OSHA Voluntary Protection Program

We participate in the OSHA Voluntary Protection Program (VPP), an effort based on cooperative relationships among management, employees, and OSHA. Under the program, participants provide mentoring to other companies striving to achieve VPP status. Eight of our North American facilities are enrolled as active VPP-accredited programs.

OHSAS 18001

Occupational Health and Safety Assessment Series (OHSAS) 18001 is an international health and safety management system that helps organizations manage occupational risks and improve health and safety performance. In 2013, our three certified sites achieved recertification as OHSAS 18001-accredited programs.

Global Harmonization Standard

In response to the 2012 publication of OSHA’s Globally Harmonized standard, we provided training to our employees on the new safety data sheets and GHS labels. We published the new system in news postings, local newsletters, and digital signage. We are working with suppliers and vendors to ensure a smooth transition from material safety data sheets to safety data sheets in conformance with the new standard.

This report uses Global Reporting Initiative (GRI) “Performance Indicators” such as these to track and monitor performance. For full listing, see GRI Content Index on page 40.

LA6, LA8: SAFETY HIGHLIGHTS

Preventive Safety Practices Realize Results

Professionals from disciplines including EHS, medical, and human resources formed a focused management team to address lost work days at sites across the company. Professionals from sites in Baltimore, Maryland, to Apopka, Florida, and Rolling Meadows, Illinois, to Sunnyvale, Woodland Hills, and Azusa, California, participated on a cross-functional management team to reduce 1,489 lost work day rates from 2012.

In November, our Lake Charles, Louisiana, facility employees achieved more than 1 million labor hours worked without an incident. According to OSHA, the aerospace industry averages eight day-away injuries per million hours worked.

Beginning in 2011, Lake Charles site employees developed a strategy to improve the safety culture. The initiatives that contributed to the site's safety culture improvement included:

- Regular safety-focused events, topically rotated to address the varied operations at the facility. This systematic approach and problem-solving tool helped quickly implement low-cost improvements.
- Bi-weekly manager safety meetings to discuss and address opportunities for improvement.
- Weekly incident analysis to identify time-lapse trends for incidents, and implementation of preventive safety awareness actions.
- Manager-to-manager and peer-to-peer best practice sharing.
- Daily safety inspections, conducted by a manager and an employee, rotating through the staff to ensure full involvement.
- "Return to work" collaboration among EHS, supervisors, and our industrial medical providers to keep employees productive and at work.

This report uses Global Reporting Initiative (GRI) "Performance Indicators" such as these to track and monitor performance. For full listing, see GRI Content Index on page 40.

The Environment

Remediation

GOAL

Our goal is to effectively address environmentally impacted property in compliance with applicable regulatory requirements, and ultimately return these properties to productive use. We pursue this outcome by seeking to work cooperatively with governmental agencies, conservation groups, citizen groups, and other stakeholders to address the environmental impacts at our remediation sites in a manner that protects human health and the environment, is cost-effective, and lessens further environmental impact.

PERFORMANCE

In 2013, we were involved in more than 175 environmental remediation projects with an approximate annual remediation budget of \$40 million. From 2004 to 2013, we successfully completed active remediation at 87 sites and removed them from the company's portfolio of impacted properties by achieving regulation-based remediation objectives. During the same time period, we also accomplished life-cycle cost reductions totaling \$57 million through various activities, including innovative engineering approaches to investigation methodologies and improvements in the application of remedial technologies.

Opportunities for Improvement

The process of site remediation culminates in the restoration and return of impacted property to productive use. From early investigative phases, through the application of technical remedies, to the final phase involving long-term site monitoring, remediation consumes and impacts natural resources, creating its own environmental footprint.

The average remediation site can take decades to restore, which results in financial and environmental costs. We recognize that each phase of the remediation process presents opportunities for improvement, and challenges persist due to the unique and dynamic nature of each site. Innovative solutions and technologies are providing techniques that promise restoration and minimization of environmental impacts. We routinely monitor and test available technologies that may be applicable to specific field conditions to evaluate their effectiveness in accelerating site recovery time.



Pollution Prevention

GOAL

Comply with applicable regulations and reduce front-end sources of pollution. Examples of our pollution prevention programs include source reduction, buy-as-needed strategies, material substitution, and procurement of environmentally preferable products and services.

PERFORMANCE

In 2012 (the most recent data available), we diverted 19 million pounds of our total of 34 million pounds of solid waste, which is approximately 57 percent of our total solid waste stream, from landfills to recycling facilities. This represents a 5 percent improvement in our diversion rate over our 2011 performance figures. We employ recycling and reuse programs across the company for products including paper, cardboard, scrap metal, wood, construction materials, computers and related equipment, batteries, tires, fluorescent light tubes, mercury thermometers, and cables.

Opportunities for Improvement

We have made changes throughout the company to reduce our waste streams and the potential hazards of the materials used in our products. We continue to evaluate opportunities to improve our processes and environmental performance in ways that balance short- and long-term business interests, regulatory requirements, and resource availability.



GRI

EN14: ENVIRONMENTAL SNAPSHOT

Exploring innovative and cost-effective remediation techniques

In 2013, we continued to seek cost-effective alternatives to traditional resource-intensive remediation practices. Our experience has demonstrated that by replacing traditional, impact-intensive remediation practices (excavation and land disposal) with in-place enzyme and/or bacterial treatment, we can reduce environmental disturbance and energy use, and promote ecosystem recovery.

Our efforts to minimize environmental impacts and optimize remediation results include the use of an “organoclay” barrier to prohibit the flow of oil from saturated soils into nearby waterways, eliminating the need for a full-scale excavation of the river bank and minimizing disturbance to critical riparian ecosystems. In addition, we continued the use of the following less-invasive techniques:

- Electrodes or steam to heat soil and groundwater in place of mechanical methods such as excavation.
- Innovative soil vapor extraction technology to prevent vapor migration into buildings.
- A permeable underground barrier to destroy contaminants as they travel from the site, eliminating the need for energy-intensive recovery wells and water-treatment systems.
- Use of naturally occurring materials, including emulsified vegetable oil, chitin, and cheese whey, to promote degradation of contaminants through bioremediation.

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OUR OPERATIONS IN FOCUS

Environmental Sustainability – greenNG

With the inception of our environmental sustainability program greenNG, in 2009, we committed to better understand and define what sustainability means to us, our customers, our shareholders and our employees. Environmental sustainability is an objective that is both supportive of, and supported by, our core values: quality, customer satisfaction, leadership, integrity, people, and suppliers. Sharing the principles of Six Sigma manufacturing, integration of environmental sustainability principles supports efficiency throughout the organization and drives performance.

GOAL

The greenNG program establishes specific goals for reducing greenhouse gases (GHGs), solid waste generation, and water use. By year-end 2014, we are committed to:

- Reduce our combined Scope 1 and 2 GHG intensity (metric tonnes of carbon dioxide equivalent [MTCO_{2e}], normalized to sales) by 25 percent relative to the 2008 base year.
- Implement at least 75 percent of our solid waste reduction and water conservation best management practices at all large owned and leased buildings (100,000 square feet and larger).

Our Strategy

To successfully integrate environmental sustainability into our organizational culture, we developed our strategy to drive performance from the inside out. We have established environmental sustainability metrics (performance to goal) as a measure of reducing GHGs and implementing solid waste and water conservation best management practices. These environmental sustainability metrics are tied to executive compensation metrics, demonstrating strong support from our Board of Directors and reinforcing the value of leadership and engagement throughout the organization. This commitment is a critical element of our success.

With the support of our executive leadership, our greenNG program drives performance through a balanced strategic plan that prioritizes identifying opportunities for efficiency and improvement in our own operations. In addition to energy and resource conservation, we evaluate and implement opportunities driven by technological advancements and renewable and alternative energy management. We are firm in our commitment to maintain a balanced, value-driven strategy for performance.

Energy Efficiency

Energy use reduction is a fundamental method through which we achieve GHG emissions reductions. Our results are driven by reducing fuel use (e.g., gasoline, diesel, natural gas) in our operations through initiatives led by our

facilities, real estate and information technology organizations, and our engineering and manufacturing operations.

Resource Reduction

We constantly evaluate opportunities to improve efficiency and reduce emissions associated with the use of process gases and other inputs. Replacing process gases and traditional refrigerants with newer, lower global warming potential gases supports process continuity and reduced GHG emissions.

Green Power

We support the advancement of a renewable electricity infrastructure, through use of renewable energy at our sites as well as through procurement of renewable energy certificates (RECs) generated from renewable energy systems integrated into the national infrastructure. We continue to evaluate options for green power sources at our owned sites and maintain our multi-year purchasing commitment

Alternative and Renewable Energy

In support of innovative, energy-efficient technology, we constantly evaluate opportunities to implement alternative and renewable energy systems to improve energy efficiency at our facilities. Our support ranges from solar power arrays to high-efficiency cogeneration systems to emerging technologies that use organic materials to harness energy.

Production-related Hazardous Waste and Reported EPA Toxics Release Inventory (TRI)

	Hazardous Waste (Tons)	Hazardous Waste Tons/100FTE	TRI (Tons)	TRI Tons/100FTE
2005	1,602.2	2.2	100.6	0.14
2006	1,982.6	2.7	77.1	0.10
2007	1,608.7	1.9	41.1	0.05
2008	1,469.9	1.8	61.1	0.08
2009	1,459.7	1.8	65.8	0.08
2010	1,198.3	1.5	63.2	0.08
2011	1,040.6	1.4	55.0	0.08
2012	1,114.5	1.7	38.0	0.06

We continue to reduce the toxic and hazardous materials used in our manufacturing operations, for the benefit of our employees and the environment. As the figures illustrate, we are reducing our hazardous waste disposal amounts and TRI discharges. We understand that pollution prevention is an ongoing opportunity for improvement, as our products and services diversify and the types and intensity of product and service lines fluctuate in accordance with demand and other external factors.

OUR OPERATIONS

Solid Waste and Water

We are on track to achieve our company-wide “best management practices” (BMPs) implementation goal of 75 percent by year-end 2014. In 2013, we achieved 72.4 percent implementation of water conservation BMPs and 85.9 percent implementation of solid waste reduction BMPs.

As we plan to complete our solid waste and water use BMPs in 2014, we are evaluating opportunities to build upon the contributions from our BMPs. Recognizing that water and waste management are critical resource challenges, we are committed to further reducing our impacts.

We continue to work on green lease requirements for our leased spaces through collaborative efforts with our landlords. The green leasing language requires landlords to provide monthly utility data to support our comprehensive energy management system, implement energy-efficiency projects and applicable solid waste and water conservation BMPs, and use environmentally preferable cleaning products in janitorial service contracts.

EN3,4,5: GREENHOUSE GAS REDUCTION PERFORMANCE

GRI

We achieved our inaugural GHG reduction goal of 25 percent two years ahead of plan, achieving a 25.3 percent intensity reduction as of year-end 2012. This reduction resulted in a 26.9 percent reduction in absolute emissions.

In 2013, we continued implementation of a comprehensive energy management system to address our historic one-year lag in the disclosure of our GHG inventory and performance in this report. Automation of our utility bill processing and GHG data management provided through this system now allows us to report current-year GHG data.

EN16, EN17, EN19 Greenhouse Gas Emissions Reduction Performance

GRI

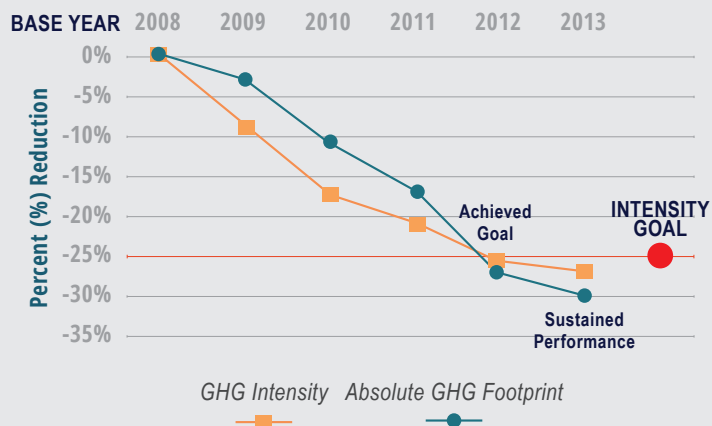
	2008 Base Year	2009	2010	2011	2012	2013	Performance from Base Year
Carbon Intensity (MTCO ₂ e/\$M Sales)	33.3	29.4	27.1	26.8	24.9	24.3	-27.2%
Int % Reduction	—	-11.8%	-18.8%	-19.6%	-25.3%	-27.2%	—
Absolute GHG Emissions (Million MTCO ₂ e)	858,595	794,729	745,634	706,890	627,886	598,047	-30.3%
Abs % Reduction	—	-7.4%	-13.2%	-17.7%	-26.9%	-30.3%	—

Data is inclusive of mergers, acquisitions, and divestitures.

Our inventory is developed in accordance with the GHG Protocol Corporate Standard. We disclose our most up-to-date annual environmental performance via CDP; our 2013 Climate Change Response is publicly available via the CDP website.

In 2013, we implemented GHG-emissions reduction projects that reduced an estimated 35,523 MTCO₂e.

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As shown, we established a corporate-level program to coordinate installation of EV stations at campuses across the company. In 2013, we added 12 EV charging stations at locations including Rancho Bernardo, California.

Professional Associations

To remain current with industry trends and initiatives, and engage with peers on common EHS challenges, we participate in relevant professional associations. Our roles range from membership to leadership, where we fully engage in discussions, work groups, and committees that support our customer, business, and program needs. In 2013, we participated as members of the following professional associations:

- The Auditing Roundtable
- ORC Health, Safety and Environment Strategies, Inc.
- Voluntary Protection Program Participants Association
- National Safety Council
- American Society of Safety Engineers
- Corporate Environmental Enforcement Council
- Aerospace Industries Association
- International Aerospace Environmental Group
- Corporate EcoForum
- Conservation International's Business and Sustainability Council

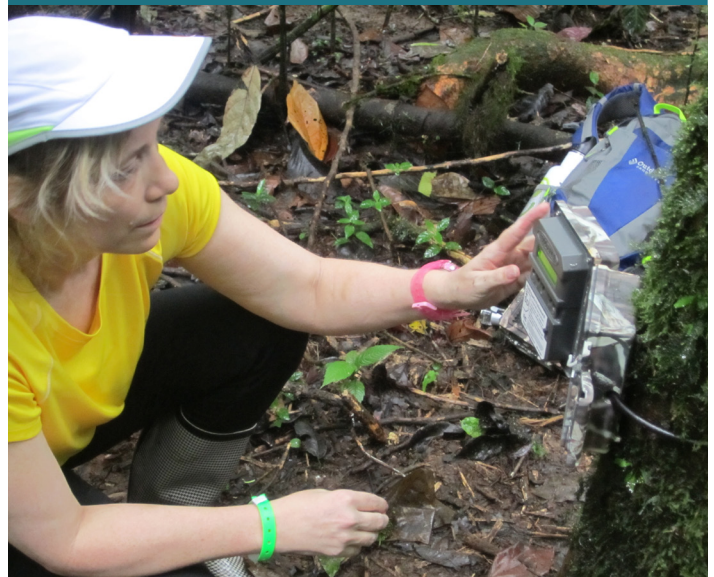
EN12-14: ECOSYSTEM CONSERVATION

GRI

We support protection, conservation, and restoration of critical ecosystems through numerous volunteer cleanup efforts nationwide and financial support of ecosystem conservation-based carbon offset projects. In 2013, we purchased certified carbon offsets generated in association with the Mississippi Valley Reforestation Project in the southeastern United States. The project objective is to reforest 1 million acres of the Lower Mississippi Alluvial Valley, regarded as one of the most important ecosystems in North America; it is an ecosystem our local employees rely on in their daily lives for clean drinking water and clean air.

In accordance with our internal protocol, we committed to multi-year purchases of carbon offset credits. We make this commitment to balance investment considerations across all GHG-reduction strategies.

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GREEN IT

In 2013, we completed our keystone green IT initiative: the Enterprise Data Center Migration program. Between 2010 and 2013, we migrated 19 major data centers and more than 60 small data centers and server rooms across the U.S. to three enterprise data centers.

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EN8-10: WATER USE

GRI

Water use at Northrop Grumman is neither a significant component of our manufacturing operations nor a key element in our product lines. However, we have adopted water stewardship practices through our Water Conservation Best Management Practices to upgrade and improve our infrastructure to achieve immediate reductions in our water use. We are evaluating additional opportunities to address water use in future years.

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EN7, EN18: 2013 GHG REDUCTION INITIATIVES

GRI

Facilities Management

We are reducing the resource intensity of our physical footprint by emphasizing efficiencies and systems enhancements throughout our facilities. We are further optimizing our real estate portfolio to eliminate excess facilities and reduce our overall footprint.

In 2013, we had operations in six buildings that are LEED (Leadership in Energy and Environmental Design) certified and six buildings that meet the Environmental Protection Agency's ENERGY STAR building standards. While we decreased our LEED certified building count by one because we vacated one facility, we improved our overall portfolio through the addition of two ENERGY STAR buildings. As our real estate portfolio changes, we continue to explore new opportunities to reduce our environmental footprint and meet these, or similar, energy-efficiency standards by evaluating building envelopes and performance.

Our Corporate Office in Falls Church, Virginia, received LEED Certification (Platinum Commercial Interiors) for the third floor build-out construction. This certification is distinct from the LEED Gold certification (Commercial Interiors) for the corporate office itself, achieved in 2011 upon completion of the building renovation.

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OUR OPERATIONS IN FOCUS

greenNG 2.0: Leveraging Innovation and Environmental Sustainability

Having achieved our inaugural GHG reduction goal two years ahead of plan, we initiated the planning process for our greenNG 2.0 GHG reduction goal in 2013. Our goal-setting strategy represents a balance of expectations to perform, our known ability to perform, and innovation. This strategy informed our second GHG-reduction goal:

By 2020, we are committed to reducing absolute GHG emissions 30 percent relative to 2010 GHG emissions levels.

We transitioned to an absolute GHG emissions-reduction goal to ensure our efforts directly support climate change mitigation. Measuring GHG emission reductions in absolute terms also supports the goals of our customers, the U.S. federal government and scientific findings from expert organizations such as the International Panel on Climate Change.

We established 2010 to 2020 as our period of performance for two primary reasons:

- The 2010 base year aligns with our first year of GHG inventory data for which we received Reasonable Assurance through third-party verification.
- The 2020 goal year is consistent with our customers' GHG reduction goal timelines and provides an opportunity to address long-range opportunities.

Our decision to seek to reduce emissions by 30 percent over this period of performance is driven by a combination of external stakeholder expectations, innovation opportunities, and internal opportunity assessments. Building on the successes of our first GHG-reduction goal, our strategic emphases for this next goal period will prioritize energy use reduction, recapture and substitution of high GHG-emitting gases, and process optimization to drive further energy reductions. This is a challenging environmental performance goal and builds on our 15.8 percent absolute reduction performance from 2010-2012. We are committed to leverage our culture of innovation to achieve success for the GHG-reduction target as well as the next generation of solid waste and water conservation goals.



SNAPSHOT

Supporting Scientists and Policymakers

We use our expertise to advance environmental and energy security, which also supports climate change-adaptation planning. We are dedicated to providing scientists and decision makers worldwide with data and knowledge they need to understand climate trends and impacts so they can inform policymakers on how to mitigate risk and develop adaptation and resiliency plans. In 2013, the Northrop Grumman-built Global Hawk, an unmanned aircraft system that offers a unique combination of high-altitude and long-endurance performance capabilities, conducted the following missions in support of environmental data collection and humanitarian assistance:

ATTREX:

The mission of the National Aeronautics and Space Administration (NASA) Airborne Tropical Tropopause Experiment (ATTREX) is to study how the composition of the atmosphere affects Earth's climate by studying the region of the upper atmosphere where pollutants and other gases enter the stratosphere and potentially influence climate. Studies have shown that even small changes in stratospheric humidity may cause climate impact that is more significant than the impact of greenhouse gases.

TYPHOON HAIYAN ENVIRONMENTAL AND SECURITY SUPPORT:

In November 2013, following Typhoon Haiyan in the South Pacific, a Global Hawk aircraft collected approximately 1,000 images of the typhoon-ravaged Philippines, including 282 wide-area images to aid the U.S. and Philippine authorities with relief logistics, including assessments of roads, airports, and fields so relief teams could reach displaced survivors.

POLAR HAWK:

Equipped with an uninhabited aerial vehicle synthetic aperture radar and a high-resolution camera to conduct ground mapping and visual observation of Arctic ice caps during a 21-hour flight, a Global Hawk aircraft (dubbed "Polar Hawk" for the mission) enables American and Canadian scientists to study changes in topography and Arctic ice caps to better understand the changes affecting the region because of climate change.

Stakeholder Engagement

Underpinning our greenNG strategy is stakeholder engagement, which spans external and internal audiences such as customers,

OUR OPERATIONS IN FOCUS

shareholders, partner organizations, and employees. With the diverse interests of each audience, we are faced with the challenge and opportunity to engage to ensure all our stakeholders receive the support and information they need. Integral to our stakeholder engagement strategy is our commitment to provide accurate information regarding our environmental sustainability program goals and performance. Our key stakeholders are:

- Customers
- Shareholders
- Industry
- Employees

In 2013, we staffed Technical Engineering Support for the Air Force Civil Engineer Center Energy Directorate to provide direct support of centralized energy program management. Applying subject matter expertise, our Northrop Grumman employees conducted engineering, financial, technical, and other professional analyses to support Air Force energy program management activities worldwide, including renewable and alternative energy systems. These initiatives support the long-term energy efficiency objectives for Air Force facilities and operations.

Our Carbon Footprint: Employee Engagement

Earth Hour:

We continued our commitment to raise awareness of global climate change by participating in the global Earth Hour. Our facilities departments turned off unnecessary building and signage lighting, and employees were encouraged to participate at home.

Bike to Work:

Employees at many of our sites supported the annual Bike to Work Day, hosting welcoming stations for employees as they rode into work and providing them with healthy snacks and water to celebrate their contribution to a car-free commute.

INTERNATIONAL AEROSPACE ENVIRONMENTAL GROUP (IAEG)

As a founding member of the IAEG, we are committed to working with our global aerospace peers to address common challenges by developing voluntary consensus standards. We participate in IAEG as board members, supporting the organization's governance, and as subject matter experts in the Chemical Reporting and GHG Accounting and Reporting work groups.

- The Chemical Reporting work group is developing a global declarable-substance list for the aerospace industry. The list will enable the supply chain to share information about the chemicals and materials used to manufacture parts for aerospace products, which supports regulatory compliance for suppliers and aerospace companies.
- The GHG Accounting and Reporting work group finalized the GHG Reporting Guidance for the Aerospace Industry, a supplement to the GHG Protocol Corporate Accounting and Reporting Standard. The objective of the Reporting Guidance is to harmonize voluntary reporting of corporate GHG emissions, supporting companies' efforts to account for value chain emissions. In coordination with the World Resources Institute (WRI), the Draft Reporting Guidance was released for public comment in December 2013.

CDP

(formerly the Carbon Disclosure Project)

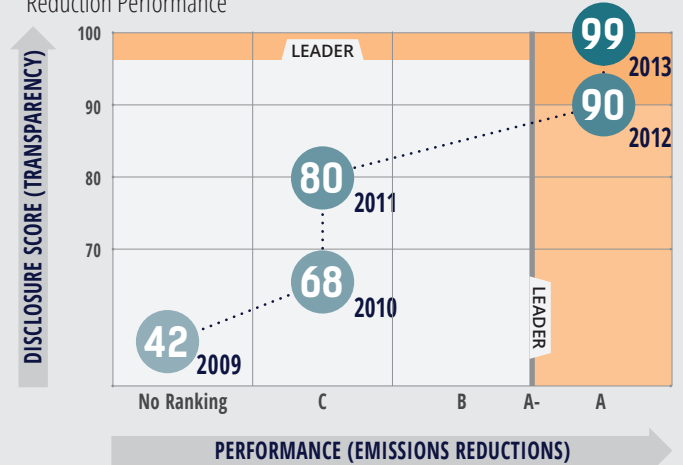
In 2013, we earned a disclosure score of 99 out of 100 and performance level A (the highest level), earning distinction in the Carbon Disclosure Leadership Index (CDLI) and the Carbon Performance Leadership Index (CPLI). We were in the top 1 percent of the S&P 500 Industrial sector and first in the aerospace and defense industry.

The CDLI includes companies that demonstrate strong actions to reduce GHG emissions through risk mitigation, governance strategies, and corporate actions related to climate change impacts to business operations. The CPLI includes companies in the highest-performance band (A) with a range and quality of emissions-reduction activities that are considered to be more fundamental to progress on combating climate change.

PERFORMANCE IN THE CDP

Climate Change S&P 500 Ranking (2009–2013)

Evaluation of Corporate Climate Change Governance, Strategy, and Emissions-Reduction Performance





OUR COMMUNITY INVESTMENT

EDUCATION

The main focus of our corporate philanthropy is expanding and bettering the pipeline of talented science, technology, engineering, and mathematics students nationwide. We aim to invest in and implement programs that are comprehensive in scope, broad-based in reach, and ongoing for the long term.

2013 Highlights

- We contributed \$26,698,705 in philanthropic donations (that total included a \$15 million gift from Northrop Grumman to our charitable trust, the Northrop Grumman Foundation) through our Northrop Grumman charitable giving program. Funding from the Northrop Grumman Foundation added an additional \$11,435,743. Our employee charity organization (ECHO) contributed \$2,280,895 to a multitude of community-based and national nonprofit organizations. Additionally, employees contributed more than \$1.5 million to programs such as USO campaigns, disaster relief, and holiday giving.

- From July 21 to August 1, Conservation International staff, as part of the Northrop Grumman Foundation's ECO Classroom program, hosted 16 middle and high school life sciences teachers at La Selva Biological Station in Costa Rica.
- As part of our CyberPatriot program, we hired 32 former participants, up from 28 in 2012, who are now performing critical functions in Northrop Grumman programs and information security infrastructure across the United States.
- Through Northrop Grumman Foundation funding, we significantly increased our support of the VEX Robotics program, helping teams across the globe participate in the program and supporting the world championship event.
- We executed our strategies for corporate citizenship: STEM education, the environment, and supporting our troops and veterans. In addition, we developed and implemented a strategy for international corporate citizenship.

OUR COMMUNITY INVESTMENT

2013 Major Goals

GOAL

Support a wide array of programs and services for education, military and veterans, the environment, and health and human services through broad-based philanthropy.

In 2013, we maintained the following target percentages for directing our community spending :

- 50%** education with a strong focus on science, technology, engineering, and mathematics programs
- 20%** health and human services
- 20%** military and veterans
- 5%** environment
- 5%** all other

PERFORMANCE

Our spending goals in each area are target percentages, and we do not always achieve our targets in all areas. In 2013, we made progress toward increasing funding in the military and veterans category as well as the environment, which were underfunded categories in 2012.

2013 Actual Giving Allocation Percentages

- 53%** Education
- 12%** Health and human services
- 19%** Military and veterans
- 4%** Environment
- 12%** Other: The remaining percentage of our giving fell into areas outside of these broad categories.

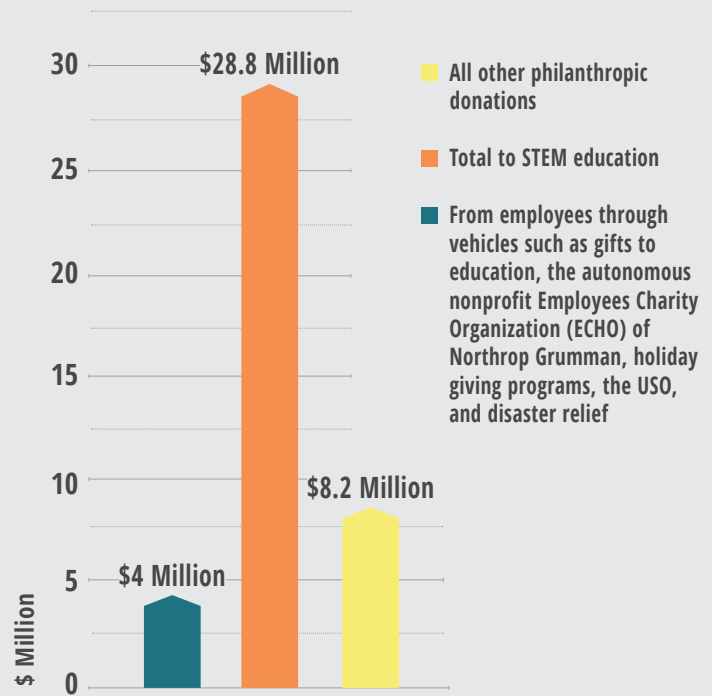
GOAL

Improve nationwide education at all levels with a focus on science, technology, engineering, and mathematics (STEM) proficiency.

PERFORMANCE

We support programs and services for STEM education, military and veterans, the environment, and health and human services through a strategic, targeted philanthropy program. We focused 2013 efforts on improving the quality of STEM education from early grades through the university level, with an additional focus on middle school students and teachers, and on developing student interest, understanding, and talent in those areas.

Total 2013 Giving = \$41 Million



To accomplish this corporate citizenship mission, in 2013, we continued to implement the Northrop Grumman education strategy across the company.

While we continue to increase involvement with diversity programs such as Viva Technology and Science Engineering Experience for Kids (SEEK), we actively sought programs for female students.

Highlighted Programs

Philanthropic donations

In 2013, we contributed \$26,698,705 in philanthropic donations that included a \$15 million gift from Northrop Grumman to our charitable trust, the Northrop Grumman Foundation, through our Northrop Grumman charitable giving program. Funding from the Northrop Grumman Foundation added an additional \$11,435,743.

Matching Gift for Education program

The Northrop Grumman Foundation matches the first \$1,000 per employee for gifts made to qualifying education organizations each year. Our total company outlay on matching gifts during 2013 was \$683,772, with 1,692 employees using the resource. Of that total, \$307,584 went to K-12 programming and \$376,188 to higher education.

Education Programs

ECO Classroom

CyberPatriot

VEX Robotics

Space Camp

High School Involvement Partnership

Diversity Education Programs

Higher Education

ECO Classroom

With the goal of providing teachers with resources and learning opportunities in environmental science, we again collaborated with Conservation International to launch the ECO Classroom program. This unique, nationwide professional development program equips teachers with knowledge and inspiration. The focus: encouraging students at all levels to pursue science and technical careers and, eventually, becoming our next generation of environmental stewards and innovators.

PERFORMANCE

From July 21 to August 1, 2013, Conservation International staff hosted 16 middle and high school life sciences teachers — in biology, ecology, environmental and earth systems science — at the Conservation International's tropical ecology assessment and monitoring network's field site at La Selva Biological Station in Costa Rica. The teacher teams traveled from California, Illinois, and Mississippi for this intensive real-world experience.

The teachers returned to their schools with a more in-depth understanding of the interrelationship between biodiversity, climate change, and human activities, and equipped with new techniques and resources to enhance teaching. Since the program inception, we have reached an estimated 8,500 science, technology, engineering and mathematics students from 32 U.S. middle and high schools.

A survey question for the 2013 class of teachers asked, "How applicable will your group project be in your classroom?" On a scale of 1 to 5 with "5" being "extremely applicable," the group collectively rated the applicability as 4.8.

Realignment:

As part of the Office of Global Corporate Responsibility restructuring, we realigned our Corporate Citizenship organization during 2013. All Corporate Citizenship professionals now report to the corporate office and are aligned regionally. In addition, we established a new international corporate citizenship manager position. Overall, we believe this new structure will better serve our employees and our communities.

In addition, with the class of 2012 teachers who have had a full school year in the classroom since their experience, we can report:

- The percentage of teachers collecting field data with their students following the ECO Classroom increased by 63 percent (from 221 to 354 students). This translates to a mean increase of 12.1 students doing fieldwork per teacher per year, which is a very encouraging result.
- After the ECO Classroom, teaching focused on land use issues increased 11 percent. Survey respondents indicated that ECO Classroom succeeded in giving them more depth to effectively teach this topic.
- The proportion of instructors teaching lessons and topics focused on climate change increased 20 percent. Based on the written comments, many of the educators teach this topic more thoroughly after ECO Classroom.
- The ECO Classroom increased integration of teacher travel experiences into lessons 175 percent. This is a key output for STEM teaching because motivated teachers create motivated students.
- Finally, the use of GIS and satellite data by teachers to formulate scientific questions in lessons increased 75 percent.

Following the ECO Classroom experience, selected teachers led workshops at the National Science Teachers Association Conference. Approximately 70 teachers attended the workshops and introduced an estimated 1,120 students to the program.

CyberPatriot V: High School Competition

Through the Northrop Grumman Foundation, we renewed our commitment as presenting sponsor for this Air Force Association effort. CyberPatriot, which completed its fifth year in 2013, is the nation's largest and fastest-growing high school cybersecurity defense competition designed to excite, educate, and motivate the next generation of cyber-defenders. Students competed at the CyberPatriot V National Finals Competition March 14 to 16, 2013, in Washington, D.C.

We had 64 volunteers from across the corporation mentor students and provide technical assistance to teams. CyberPatriot offers an opportunity for our employees to support a critical need for our nation's continued security and

OUR COMMUNITY INVESTMENT

economic prosperity. For CyberPatriot VI in 2014, each Northrop Grumman volunteer is guaranteed assignment to a team, improving the likelihood of increased volunteer registration.

PERFORMANCE

During 2013, we hired 32 CyberPatriots, up from 28 in 2012, who perform critical functions within Northrop Grumman programs and information security infrastructure across the United States. In addition, we maintain communication with many more CyberPatriot competitors as they consider higher education options and careers in STEM disciplines.

Through a robust communications campaign by Air Force Association representatives and Northrop Grumman communications and volunteers, we increased the number of teams to 1,225 in CyberPatriot V, up from 1,014 in CyberPatriot IV during 2012. Enrollment for CyberPatriot VI is 1,560 teams, representing a 136 percent increase since our Northrop Grumman Foundation sponsorship began.

We provided \$50,000 in scholarship funds to students from the top three teams per division in CyberPatriot V, enabling many students to realize their dream of earning a college education in technical disciplines. Since becoming presenting sponsor, Northrop Grumman has awarded more than \$150,000 to CyberPatriot competitors.

As interest and participation in CyberPatriot continue to grow, the Air Force Association, in partnership with our Northrop Grumman Foundation, has established program expansion priorities. In 2013, a pilot program was launched for middle school students. Full implementation of the middle school program is slated for 2014.

Also in 2013, we began concept development for an elementary school element of CyberPatriot. With these expansions of the program beyond the original high school effort, Air Force Association representatives began rebranding CyberPatriot as “The National Youth Cyber Education Program.” In addition, efforts in 2013 included development of international expansion with initial engagement at the 2014 King Saud University Technology Symposium.

VEX Robotics

Through 2013 Northrop Grumman Foundation funding, we increased our support of VEX Robotics to become the program’s presenting sponsor. This sponsorship helped teams globally and supported the world championship event.

We chose to increase our support to this program based on the commitment of the VEX leadership team and their dedication to increasing student interest and involvement in STEM through hands-on, sustainable, and affordable curriculum-based robotics engineering programs. Additionally, the organization is well-positioned to support program expansion globally.

PERFORMANCE

More than 100,000 students from 8,000 teams

competed in more than 400 events globally. These students represented 25 countries. For the 2013-2014 competition year, VEX will be able to establish teams and competitions in Australia and expand programming in the United Kingdom.

Space Camp

Through the Northrop Grumman Foundation, we renewed our partnership with the U.S. Space and Rocket Center in Huntsville, Alabama, to support student and educator participation in the program. Student campers went through the ultimate space adventure, participating in activities such as building and launching rockets, experiencing weightlessness in an astronaut-training simulator, and simulating space travel preparation. Their science teachers attended the Space Academy for Educators, a program designed to provide teachers the tools to enhance how they use STEM concepts in their classrooms. And, for the first time in five years of program support, we were able to expand the program internationally.

PERFORMANCE

The 2013 sponsored space campers comprised 17 middle school teachers from eight states and 65 middle school students from 10 states and the



OUR COMMUNITY

District of Columbia. Two students and one teacher were from the United Kingdom.

High School Involvement Partnership

This program assists high school students with setting career and development goals and provides student internships, mentoring, graduation incentives, a summer enrichment program, and potential scholarships.

PERFORMANCE

In 2013, we connected Northrop Grumman mentors with more than 330 high school students from 75 schools. Additionally, Northrop Grumman Foundation funding again supported the White House's Summer Jobs+ initiative. This program provided summer jobs and other employment opportunities for low-income and disconnected youth. Through this effort, 19 nonprofit agencies received funding to support 82 intern positions.

Higher Education

COLLEGE SCHOLARSHIPS

Through Northrop Grumman Foundation funding, we provided almost \$120,000 in national diversity association scholarships to various organizations. These include: the American Indian Science and Engineering Society, Great Minds in STEM, National Society of Black Engineers, Society of Hispanic Professional Engineers, Society of Women Engineers, and United Negro College Fund. Additionally, the Northrop Grumman Foundation funded \$100,000 to the National Action Council for Minorities in Engineering in support of scholarships and pre-engineering programs.

SUMMER INTERN PROGRAMS

Through Northrop Grumman Foundation, we funded more than \$91,000 in Summer Internship Programs supporting many of the organizations listed under "College Scholarships," along with American Association of People with Disabilities. Additionally, the Northrop Grumman Foundation funded the Delta Research and Educational Foundation Summer Interns for STEM Project to increase interest in science, technology, engineering, and mathematics and related careers.

University Relationships

We provided, through Northrop Grumman Corporation, more than \$1.4 million in higher education grants to more than 71 colleges and universities. Recipients included academic and diversity student organizations, business programs, career development and leadership programs, competitions, engineering and computer science programs, fellowship programs, K-14

EDUCATION GRANTS TO SUPPORT CYBER SECURITY PROGRAMS:

University of Maryland College Park Advanced Cyber Security Experience for Students (ACES) program

California Polytechnic State University-San Luis Obispo Cyber Security Lab

United States Naval Academy Center for Cyber Security Studies

EDUCATION GRANTS TO SUPPORT K-14 STEM PIPELINE PROGRAMS AT NINE UNIVERSITIES:

California State University (Northridge)

Georgia Institute of Technology

Morgan State University

North Carolina State University

Prairie View A&M University

Rice University

University of California Los Angeles

University of Maryland College Park

University of Texas (Austin)

STEM pipeline programs, scholarships, student design and research projects, and many more. Some of the programs include:

- American Institute of Aeronautics and Astronautics student design-fly-build competition
- Association for Unmanned Vehicle Systems International
- Cube Sat/Satellites projects
- Electro Science Lab fellowship support
- Engineering Ph.D. pipeline initiatives
- Research Experiences for Undergraduates support in electrical and computer engineering for cybersecurity program
- Unmanned aerial vehicle collaborative engineering projects.

OUR COMMUNITY

Focusing on Diversity Education

During 2013, we placed additional focus on identifying programs to increase the interest of young girls in STEM careers. We continued our support of the National Society of Black Engineers' Summer Engineering Experience for Kids program and Great Minds in STEM's Viva Technology.

SciGirls is a PBS series that documents different groups of enthusiastic girls who collaborate, communicate, engineer, and discover. The girls are accompanied by two animated characters who tie the series together both online and on television with their STEM-infused adventures. The SciGirls episodes, website, and education materials are developed based on research showing what engages girls in STEM learning and careers. We will continue our relationship with SciGirls in 2014 with a SciGirls-led workshop that will be held in conjunction with the Northrop Grumman Women's Conference.



Through the Northrop Grumman Foundation, we established a relationship with the National Center for Women and Information Technology to further develop the "Aspiration in Computing" program. This program is a talent development pipeline initiative designed to increase female participation in technology careers by providing encouragement, visibility, community, leadership opportunities, scholarships, and internships to high-potential, technically minded young women.

In 2013, we established two new and exciting relationships with organizations whose missions align with our corporate environmental goals: Engineers Without Borders and the Arbor Day Foundation.

Engineers Without Borders

Through our relationships with Engineers Without Borders, we supported seven water supply projects in Kenya, Nicaragua, Brazil, Madagascar, and Tanzania. Four of the projects supported university student-led initiatives and three supported U.S.-based professional chapter projects.

Arbor Day Foundation

Our relationships with the Arbor Day Foundation supported the U.S. Forest Service and Colorado State Forest Service replanting efforts in California and Colorado where wildfires left forestland barren. Our support also aided international forest projects.

Internationally, we supported a project in southwestern Guatemala's Sierra Madre Highlands to reforest and protect key areas and watersheds in a region that is currently impacted by an annual deforestation rate of 1.6 percent. We also supported a United Kingdom project with the Ministry of Defence to improve the military training facilities and enhance the biodiversity of those sites.

Northrop Grumman Foundation funding supports middle school students with 24 pilot programs in 15 states, reaching a diverse community of nearly 800 middle school girls with 25,000 hours of instruction in computing and technology.



OUR COMMUNITY

VOLUNTEERISM

A Strong Tradition at Northrop Grumman

Northrop Grumman employees contributed 18,920 documented volunteer hours and qualified organizations, in turn, received \$94,600 in community service grants from Northrop Grumman. In addition, Volunteer1NG, our volunteer management system, recorded 11,175 employee volunteer hours from 652 individual employees, bringing the total to 30,095 hours. Further, employees generously supported a multitude of nonprofits through in-kind giving such as back-to-school supply drives, adopt a military family, winter coat drives, and holiday giving.

Environmental Volunteers

Our presence in communities across the United States allows Northrop Grumman employees to support diverse and important environmental and educational initiatives nationwide. Examples of our 2013 volunteer initiatives include:

Beach and Coastal Cleanups: Along the east, Gulf, and west coasts, employees participated in beach cleanup events, collecting trash and debris to improve local and regional waterways.

National Public Lands Day: Across the company, employees supported this nationwide one-day event by planting native trees and plants, and helping to beautify and clean public lands.

During 2013, we established a relationship with a nonprofit organization to implement a company-wide volunteer program. Our relationship with the American Cancer Society allows employees across the United States to participate in the Relay for Life. Additionally, we worked with the American Cancer Society to establish the Northrop Grumman Global Week of Caring to raise funding for cancer programs and research worldwide. Unfortunately, the government shutdown in October 2013 impacted our ability to roll out this program. We rescheduled and held the event in early 2014.

Promoting education and participating in volunteerism go hand-in-hand at Northrop Grumman. During National Engineers Week, hundreds of our employees volunteer nationwide in schools. To prepare for these events, we provide volunteers with tools and materials to assist with classroom demonstrations.

Recognizing Excellence

We recognize employees who have demonstrated volunteer dedication through our Northrop Grumman volunteer recognition program. In August 2013, through Northrop Grumman's office of corporate citizenship, we announced the 10



During 2013 we also funded environmental protection projects led by the following organizations:

- Anacostia Watershed Society
- Chesapeake Bay Foundation
- Heal the Bay
- National Council for Science and the Environment
- National Public Lands Day
- Potomac Conservancy
- Water for People
- Water Wells for Africa

"Excellence in Volunteerism" winners chosen from 231 nominations by an independent reviewer (compared to 647 nominations in 2012). Additionally, we expanded this program to include nominations for employees globally. Each award winner's chosen organization received a \$5,000 grant that, collectively, helps students, communities, the environment, those in need, and families.

PERFORMANCE

The community impact of our employee volunteer hours for 2013 was more than \$300,000 (based on independent 2013 estimated value of volunteer time at \$10/hour). Since inception, we value our volunteer total community impact at more than \$2.5 million.

When we established our relationship with the Relay for Life, our fundraising goal was \$50,000. With our employees, we were able to more than double that goal: 292 employees representing 26 teams raised \$110,000.

OUR COMMUNITY

DISASTER RELIEF

Major natural disasters in the United States during 2013 included Colorado and California wildfires, Oklahoma tornadoes, central region storms, and floods in Colorado. These events affected several communities with a strong presence of Northrop Grumman employees. Additionally, Typhoon Haiyan devastated the Philippines in November.

PERFORMANCE

We are members of the American Red Cross' Annual Disaster Giving Program. This program helps secure a reliable funding base for disaster relief services and enables Red Cross personnel to respond immediately to the needs of individuals and families affected by disaster.

Affected people received food, shelter, emotional support, and other essential assistance with less delay. Northrop Grumman employees donated \$121,109 in support of the U.S. disasters noted above. The Northrop Grumman Foundation matched that amount. Through Northrop Grumman, we also provided additional grants to organizations providing support for victims of the Colorado wildfires and flooding.

The Northrop Grumman Foundation board of directors approved an additional \$150,000 grant to the American Red Cross to assist with immediate needs of the victims of Typhoon Haiyan. Additionally, a \$150,000 matching gift program for employees was approved. We had a tremendous response from employees who donated a total of \$154,602.



MILITARY AND VETERANS

In 2013, the corporate citizenship team implemented a new strategy to support active duty military and veterans:

WOUNDED WARRIORS: health, healing and recovery

FAMILIES: strengthening initiatives and addressing low-income concerns

HOMELESSNESS: services for the homeless

EMPLOYMENT: training and employing returning troops and wounded warriors

APPRECIATION: recognizing contributions of active-duty military in/near our operating communities

We are pleased to establish a relationship with Local Initiatives Support Corporation to help develop housing and related facilities that focus on the unique needs of homeless and low-income veterans. Funds provided by Northrop Grumman supported predevelopment and capital assistance grants. Six grants helped develop 261 units of affordable housing targeted to veterans and supported social service programs that annually assist hundreds of other homeless and at-risk veterans return to more productive lives.

Grants targeted programs in the New York metropolitan area (Long Island and

OUR COMMUNITY INVESTMENT

the Bronx); Los Angeles area (Inglewood); San Francisco Bay area (Menlo Park); Houston, Texas; and Denver, Colorado.

Projects included the construction of a 60-unit homeless veterans and veterans families project; the renovation of a job training classroom, computer lab and community room; predevelopment costs of a new 60-unit veterans residence; predevelopment costs for a new 60-unit, permanent, affordable supportive housing for veterans who are homeless, formerly homeless, or at risk of homelessness; predevelopment financing for a 105-unit project for single adult low-income and homeless veterans, and capital grant financing for housing for homeless veteran single women and women and children.

American Corporate Partners

American Corporate Partners is an organization that helps post-9/11 veterans transition to the private sector through year-long, one-on-one mentoring relationships with corporate professionals. The response from Northrop Grumman's leadership team was tremendous with 73 mentors paired with protégés in 11 different states.

Our support of Luke's Wings allowed our employees to support the "No Soldier Spends the Holidays Alone" campaign. Cash donations and donated frequent flyer miles allowed wounded warriors to reunite with their families during the holiday. While we fell short of the fundraising goal of \$25,000, employees contributed more than \$11,000. The donation of frequent flyer miles exceeded our expectations and the organization saw an increase of more than 160,000 donated air miles during our campaign.

Operation IMPACT

Proposed by a Northrop Grumman employee in 2004, Operation IMPACT (Injured Military Pursuing Assisted Career Transition) provides personalized career transition assistance by identifying career opportunities within the company for returning service members who have been severely injured in combat. If the service member is unable to work, the program offers career support to a member of the individual's immediate family who will become the primary wage earner as well as to the widow or widower of fallen service members.

PERFORMANCE

To date, the program has helped 118 returning service personnel and their family members join the company. Since 2009 we have operated the Network of Champions, a group of more than 120 corporations and organizations, including the federal government, following our example in the hiring of wounded warriors. The purpose of this network is to expand job placement opportunities for qualified candidates. The Network of Champions has placed 41 Operation Impact candidates since 2009. Executives from the Department of Defense, Department of Labor, and

Department of Veterans Affairs recognize Operation IMPACT as an industry best practice, and the program has received several awards.

Northrop Grumman is committed to be an employer of choice for veterans, as evidenced by the fact that veterans comprise 30 percent of our new employees.

EC1

Community Impact: Although we do not track data for this specific metric at Northrop Grumman, the direct economic value generated through our various donations and community investments is significant. Collectively, for 2013, when totaling revenues, operating costs, employee compensation, company philanthropic contributions, employee giving, and the value of total employee volunteerism hours, we provide a substantial direct economic value to our communities.

This report uses Global Reporting Initiative (GRI) "Performance Indicators" such as this to track and monitor performance. For full listing, see GRI Content Index on page 40.

GRI



GRI CONTENT INDEX

This 2013 Corporate Responsibility Report reflects the G3 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). The Standard Disclosures and the degree to which we have been able to report on each are detailed on this page.

The full GRI Content Index includes the Disclosures on Management Approach, all Performance Indicators, and more detailed reasons for partial reporting and/or omission of data. To view, visit crreport.northropgrumman.com.

GRI Standard Disclosure

STRATEGY AND ANALYSIS Page Reference Status

1.1	Statement from CEO.	2	✓
1.2	Key impacts, risks, and opportunities.	2-5	✓

ORGANIZATIONAL PROFILE

2.1	Organization name.	3-5	✓
2.2	Primary products and services.	3-5	✓
2.3	Operational structure of the organization.	3-5	✓
2.4	Location of headquarters.	4	✓
2.5	Countries with major operations.	3-5	✓
2.6	Ownership and legal form.	3-5	✓
2.7	Markets served.	3-5	✓
2.8	Scale of organization.	AR, 23	✓
2.9	Significant operational changes.	3-5	✓
2.10	Awards received.	Listed Throughout	✓

REPORTING PARAMETERS

3.1	Reporting period defined.	1 (calendar year 2012)	✓
3.2	Date of most recent previous report.	1	✓
3.3	Reporting cycle defined.	1	✓
3.4	Contact information.	WB	✓
3.5	Process for defining report content.	1	✓
3.6	Boundary of the report.	1	✓
3.7	Specific limitations on scope or boundary.	1	✓
3.8	Reporting defined for joint ventures, etc.	NA	✓
3.9	Data measurement techniques defined.	1, 36-37	✓
3.10	Explanation of any re-statements from earlier reports.	3-5	✓
3.11	Significant changes from previous reporting periods.	1, 36-37	✓
3.12	Standard Disclosures table provided.	36-37	✓
3.13	External assurance process defined.	1	✓

GOVERNANCE, COMMITMENT AND ENGAGEMENT

4.1	Governance structure.	9-11	✓
4.2	Indicate whether Board Chair is also an executive officer.	9-11	✓
4.3	Number of independent and/or non-executive Board members.	9-11	✓
4.4	Mechanisms for providing recommendations to Board.	9-11	✓
4.5	Linkage between compensation and performance.	9-11	✓
4.6	Processes for eliminating conflicts of interest.	9-11	✓
4.7	Process for determining Board member qualifications.	9-11	✓
4.8	Statement of values and codes of conduct.	Inside Front Cover and WB	✓
4.9	Procedures for compliance with standards, codes, and principles.	6-11	✓
4.10	Processes for evaluating the Board's performance.	10	✓
4.11	Precautionary approach explanation.	18-29	✓
4.12	External initiatives endorsed.	20-21, 23-25, 27-33	✓
4.13	Memberships in associations and advocacy organizations.	25	✓
4.14	Stakeholder groups identified.	20-21, 23-25, 30-33	✓
4.15	Selection of stakeholders with whom to engage.	21-25, 30-33	✓
4.16	Approaches to stakeholder engagement.	Throughout	✓
4.17	Key stakeholder topics and concerns.	18-19	✓

GRI Standard Disclosure

ECONOMIC PERFORMANCE INDICATORS Page Reference Status

EC01	Direct economic value generated.	39	✓
EC02	Financial implications due to climate change.	28	✓
EC03	Defined benefit plan coverage.	NA	✓
EC04	Government financial assistance.	NA	✓
EC05	Wages compared to local minimum wage.	NA	✓
EC06	Spending on locally based suppliers.	18	✓
EC07	Senior managers hired from the local community.	NA	✓
EC08	Investments for public benefit through in-kind/pro bono.	30-35	✓
EC09	Indirect economic impacts, including the extent of impacts.	30-35	✓

ENVIRONMENTAL PERFORMANCE INDICATORS

EN01	Materials used by weight or volume.	NA	✓
EN02	Percentage of recycled materials.	NA	✓
EN03	Direct energy consumption.	26	✓
EN04	Indirect energy consumption.	26	✓
EN05	Energy saved through conservation.	26	✓
EN06	Energy-efficient based products and reductions in energy requirements.	20, 26-31	✓
EN07	Initiatives to reduce indirect energy consumption.	20, 26-31	✓
EN08	Total water withdrawal by source.	NA	✓
EN09	Water sources affected by withdrawal of water.	NA	✓
EN10	Percentage and total volume of water recycled and reused.	28	✓
EN11	Land ownership and operations in protected areas of high biodiversity value.	27	✓
EN12	Impacts on biodiversity in protected areas.	27	✓
EN13	Habitats protected or restored.	27	✓
EN14	Managing impacts on biodiversity.	24	✓
EN15	Habitats (Red List species) affected by operations.	27	✓
EN16	Total direct and indirect greenhouse gas emissions.	26	✓
EN17	Other relevant indirect greenhouse gas emissions.	26	✓
EN18	Initiatives and results of reducing greenhouse gas emissions.	26-30	✓
EN19	Emissions of ozone-depleting substances.	26	✓
EN20	NOx, SOx, and other significant air emissions.	NA	✓
EN21	Total water discharge by quality and destination.	NA	✓
EN22	Total weight of waste by type and disposal method.	25	✓
EN23	Total number and volume of significant spills.	21	✓
EN24	Waste deemed hazardous under Basel Convention Annex I, II, III, and VIII.	25	✓
EN25	Biodiversity value of water bodies and habitats affected.	27	✓
EN26	Initiatives to mitigate environmental impacts.	19-21, 26-31	✓
EN27	Packaging materials reclaimed by category.	25	✓
EN28	Significant fines and non-monetary sanctions for non-compliance.	21	✓
EN29	Environmental impacts of transporting products and materials.	26-27	✓
EN30	Total environmental protection expenditures.	25	✓

This 2013 Corporate Responsibility Report uses the G3 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). All of the Standard Disclosures and the degree to which we have been able to report on each are detailed on this page.

APPLICATION LEVEL CHECK

The GRI Application Level Check confirms that a sustainability report has the required set and number of disclosures to meet the organization's self-declared Application Level (see next page).

GRI Standard Disclosure		Page Reference	Status
SOCIAL PERFORMANCE INDICATORS: LABOR PRACTICE AND DECENT WORK			
LA01	Total workforce by employment type.	14	✓
LA02	Employee turnover by age group, gender, and region.	14	✓
LA03	Benefit coverage for full-time vs. part-time employees.	14	✓
LA04	Percentage of employees covered by collective bargaining agreements.	14	✓
LA05	Minimum notice period(s) for termination.	14	✓
LA06	Description of management-worker health and safety committees.	23	✓
LA07	Rates of injury, lost days, and fatalities.	22	✓
LA08	Initiatives related to serious diseases.	22-23	✓
LA09	Health and safety topics covered in formal agreements with trade unions.	23	✓
LA10	Average hours of employee training per year.	19-23	✓
LA11	Skills management programs for employees.	14	✓
LA12	Percentage of employees receiving regular performance and career development reviews.	14	✓
LA13	Composition of governance bodies and employees by diversity indicators.	9-11	✓
LA14	Ratio of basic salary of men to women by employee category.	NA	✗
HR01	Investment agreements that include human rights clauses and screening.	18	✓
HR02	Suppliers and contractors that have undergone human rights screening.	18	✓
HR03	Policies and procedures concerning human rights.	14	✓
HR04	Total number of incidents of discrimination and actions taken.	14	✓
HR05	Operations identified where freedom of association and collective bargaining may be at risk.	14	✓
HR06	Operations identified for incidents of child labor.	18	✓
HR07	Operations identified for incidents of forced or compulsory labor.	18	✓
HR08	Percentage of security personnel trained human rights aspects.	14	✓
HR09	Violations involving rights of indigenous people.	18	✓

SOCIAL PERFORMANCE INDICATORS: SOCIETY

S01	Initiatives that assess and manage the impacts of operations on communities.	18-20, 24-25, 27-33	✓
S02	Percentage and total number of business units analyzed for corruption risks.	9	✓
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	9	✓
S04	Actions taken in response to incidents of corruption.	9	✓
S05	Public policy positions and participation in public policy development and lobbying.	9	✓
S06	Total value of financial and in-kind contributions to political activities.	9	✓
S07	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	9	✓
S08	Significant fines and non-monetary sanctions for non-compliance with laws and regulations.	9	✓

STATUS:

- ✓ FULLY REPORTED
- ✓ PARTIALLY REPORTED
- ✗ NOT REPORTED

AR= ANNUAL REPORT
WB= WWW.NORTHROPGRUMMAN.COM